The Washington Monthly

What We Can Learn From Catholic Schools

Protection From Catastrophe: The Medicare Reform We Really Need

NOVEMBER 1983/$2

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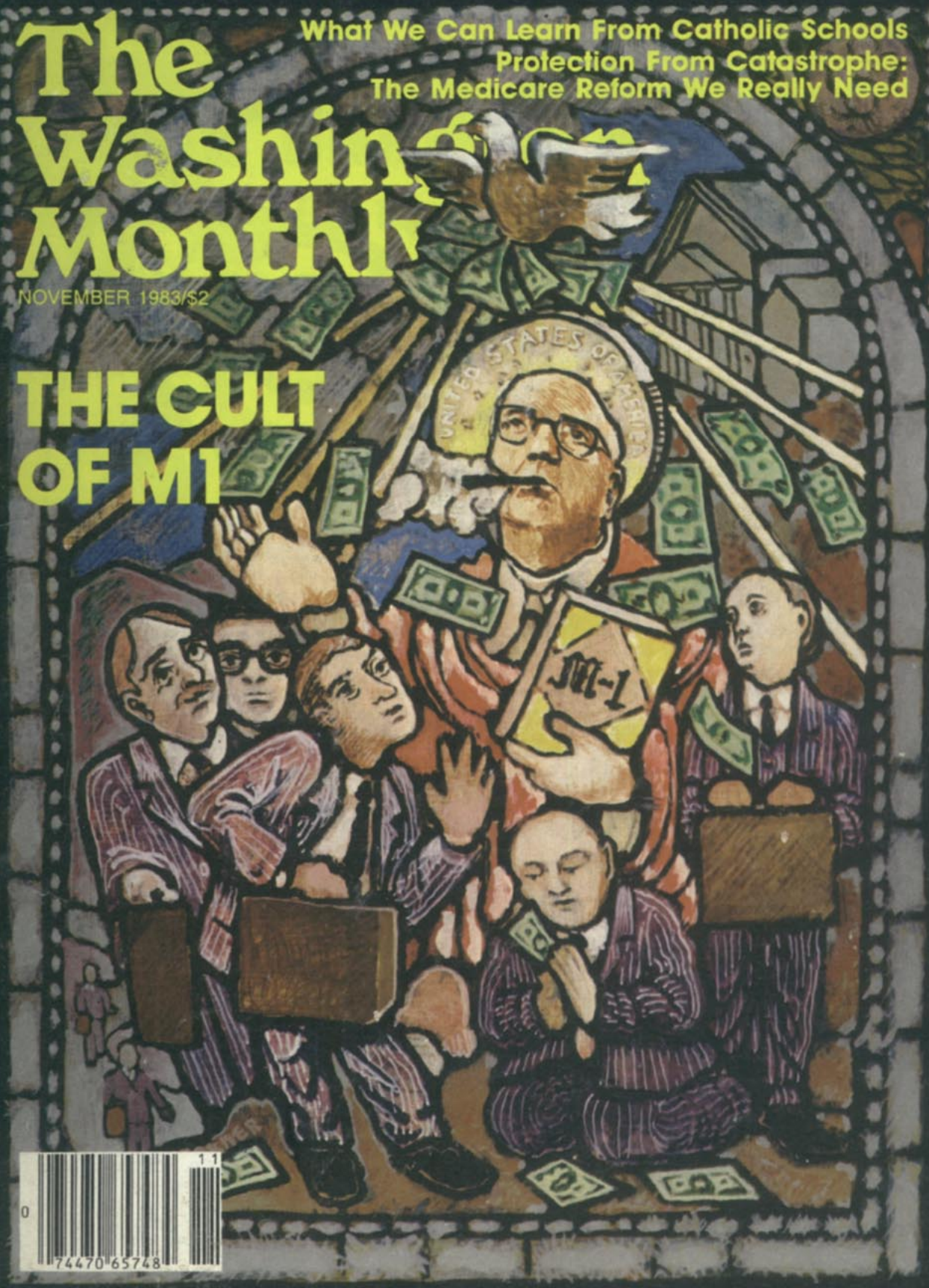

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DEADLY TARGET PRACTICE

The ability of foreign governments to flood United States consumers with below-cost products results from policies known as "targeting." Briefly, targeting works like this:

A government makes a conscious decision to promote a chosen industry by giving it preferred treatment. This may mean government ownership. It usually includes tax breaks, low-interest loans on favorable terms, outright grants, research and development assistance, import protection, and subsidies not available to other industries.

The targeted industry develops rapidly with this kind of government nourishment. Soon it has the capacity to produce far more goods than its domestic market demands. At this point the subsidized industry looks for foreign markets to dump its excess production.

Because of our high standard of living, the strength of the dollar, and generous "free trade" import laws, the United States is the obvious dumping ground.

When this happens, American manufacturing industries and their workers are the victims. They become targeted for extinction.

Don't think that low wage industries are immune. The consumer electronics industry in the United States is a case in point. Though its wages were not high, that industry lost 63,000 jobs to targeting by the Japanese and other governments.

The latest example of targeting is unusually dramatic. It threatens the whole American steel-making industry—and the iron and coal mines which supply it. U. S. Steel is negotiating to import 3½ million tons a year of steel slabs from the government-owned British Steel Corporation for finishing at the Fairless Works near Philadelphia.

Steel-making furnaces which employ 3,000 workers at Fairless would be closed. Worse, competitive pressure would soon force other domestic companies to close their furnaces and import subsidized semi-finished steel.

U. S. Steel spokesmen have announced that the Company is asking British Steel for a $600 million investment, as its price for this piece of the American steel market. The British government is thus able to take dead aim at this target. No long range planning will be needed—just pay the money and ship the steel.

If the U. S. Steel-British Steel deal is ever finalized, it will violate U. S. trade laws. We will oppose it on this and other legal grounds.

But win or lose on this case, the basic problem will still exist.

America's international trade problem is international targeting.

Let's understand it . . . let's discuss it . . . let's solve it.

UNITED STEELWORKERS OF AMERICA
Lloyd McBride, President
Five Gateway Center
Pittsburgh, Pennsylvania 15222

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Princeton

Interpreting Elections

Stanley Kelley, Jr.

"Scholars of elections rarely assess the political impact of their findings. Kelley not only explains electoral behavior, but evaluates the *political* importance of candidates and issues as well. This is an important contribution—and a pleasure to read."
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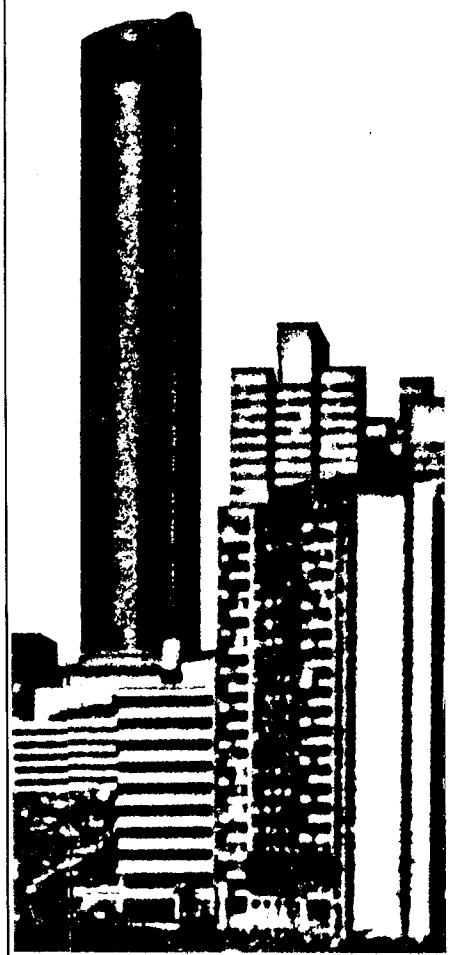

The Contested City

John H. Mollenkopf

Using Boston and San Francisco as case studies, Mollenkopf charges that the current impasse in national politics and urban development results from a failure to reconcile the conflicting interests of the dominant economic institutions and populace—a failure that led to the collapse of the postwar urban development concensus and to the disarray of the Democratic party itself.
C, $27.50. P, $6.95

Staffing for Foreign Affairs

Personal Systems for the 1980's and 1990's

William I. Bacchus

Dr. Bacchus, who was closely involved with the passage of the Foreign Service Act of 1980 and is presently Director of Policy and Coordination Staff in the Bureau of Personnel, Department of State, warns that the Service is in serious danger of being unable to meet changing responsibilities unless it reforms its present personnel system. Bacchus offers a prescription for the design, adoption, and implementation of a revised foreign affairs personnel system and analyzes the possibilities and limitations of reform.
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LETTERS

Heavy Traffic

I cannot believe I read an eight-page article about the demise of the air controllers ["Money Over What Really Mattered: Where the Air Traffic Controllers Went Wrong" by Phil Keisling, September] that did not contain the most important name in the whole episode—Ronald Reagan!

Mr. Keisling reaches for tortured explanations: "some exotic form of madness," "Reverend Jim Jones-type mass suicide." Ridiculous! The controllers simply thought they couldn't lose.

Having watched the postal unions repeatedly bring home the Christmas tree, used to Jimmy Carter's vacillations, and convinced that they were completely indispensable, the controllers were supremely confident of quick victory, despite their unreasonable demands.

Mr. Reagan astonished them with a quaint reaction—that he had been elected to enforce the law.

HARVEY H. HOLMAN
Norman, Oklahoma

Keisling repeatedly berates the Federal Aviation Administration for "catering to industry" by taking no action to level off the "peaks and valleys" in operations. But uneven traffic flows are largely traceable to competition, increased since deregulation. "Head to head" competition requires that airlines provide duplicate service at peak hours. *The Monthly* should decide where it stands on regulation vs. deregulation.

FREDERICK C. THAYER
Washington, D.C.

You emphasize that bad management by the FAA is the source of much of the controllers' ill will. Likewise, the major problem in the educational system today is not so much the teachers or their unions (although the teacher unions, like PATCO, completely miss the mark) as it is the supervisors. Teachers are not given the respect or independence required to operate as professionals in a classroom. Supervisors are too numerous, and have too few reality-based functions. Supervisors set a bad standard for classroom teachers because the way to better pay, more respect, and better perks is to go from a useful job to a near useless job. That will ruin any system.

Your use of the controller situation to advocate merit pay for teachers is not sound. Just as it may make sense to pay a controller at O'Hare more than a controller at Charlotte, so too it may make sense to pay a teacher at a tough junior high school more than a teacher at a middle-class suburban elementary school. But that is not merit pay. That is something closer to combat pay, though that may be an unfortunate term. I don't think people ever advocated merit pay for controllers. They simply advocated that those who could not cut the mustard be fired and those who had a tougher job be paid more. That is the analogy to apply to the teaching profession.

LLOYD McAULAY
New York, New York

"Staffing facilities at 90 percent of their peak load" was not something begun in the early seventies, but rather dates to Airways Planning Standard Number Five of the early 1950s. In addition, this phrase does not clearly explain what this concept means. In the FAA it was (or is) known as the "busy day" concept and it meant that the profile used to determine staffing was applied to the 37th most busy day of the previous year (i.e., 10 percent down from the busiest). The profile, as applied, has far more effect on determining the total staffing than which day was used as the busy day. In fact, if 80 percent (the 74th most busy day) or even 70 percent (the 111th most busy day) was used, the public (i.e., the airlines) would not willingly forego nonessential services.

S.J. PARK
Reston, Virginia

Out of the Fifties

Yes, as Nicholas Lemann has written ["Community Without Conformity: The Road Back from Narcissism," September] there was a sense of community in the forties and fifties (and thirties, too) and it would be good to have it back. And, yes, it coexisted with a mood of conformity that was not as oppressive as some of the seers of the time contended. But the community and conformity had no necessary connection. They arose from entirely separate roots.

In fact, there were two kinds of conformity in the fifties. The material conformity—the need to have as nice a lawn and as new an appliance as your neighbor and, therefore, to get along on the job—grew out of 15 years of material deprivation. When the war ended we had a backlog of unmet needs from the Depression and war and we had the buying power, in accumulated soldier and civilian savings, to deal with them. Many of the people moving into those look-alike suburban homes on their own piece of ground had grown up in four-flats and apartments and sometimes in quarters shared with other families. Some of those most eagerly getting along at work had been the first in their family to attend college, thanks to the GI bill. The number of marriages postponed by the Depression or separated by the war partially explain the era's emphasis on having children and raising them just right.

The other conformity, conformity of spirit, grew out of the Cold War.

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The sense of community grew most immediately out of the shared success in a war that everyone felt was good and necessary. And before that, out of the shared experience of the Depression and the New Deal. It was a time when we believed the government cared for all of us and when there was pride, rather than shame, in caring about those weaker than ourselves. Much later, in the late fifties, we learned that what we were practicing was special-interest democracy but in the fifties the interests were simply separate components of a community that needed to be put on its feet.

What broke up the sense of community? It wasn't, as Lemann suggests, the rebels and demonstrators. They reached too few people and many were, in their own way, trying to build a new sense of community. It was, just as background, the pain of impersonal social change happening too fast to be assimilated. It was also the divisiveness of Vietnam.

It was the inflation which frayed the social consensus. It was resentment of black demands and of government benefits to blacks. It was the hardening of special-interest lines among what had once been the New Deal coalition. And most recently, it is the new conservative creed that government is the enemy, that no one who can possibly help it should pay taxes, that our highest duty is to enrich ourselves and everyone else look out for himself.

SAUL SHIEFMAN
Detroit, Michigan

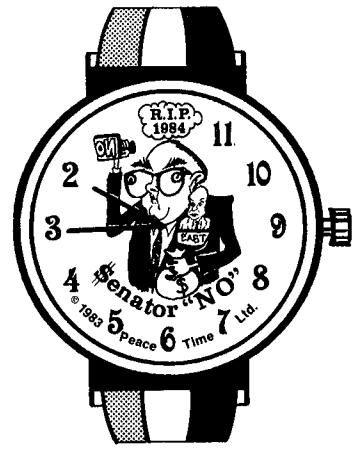
Blue Moon

Were it not for my great and long-standing respect for *The Washington Monthly*, I would not bother to react to Timothy Noah's "The Pentagon Press: Prisoners of Respectability" in your September issue. Mr. Noah is, after all, a journalistic nobody, who with further polish and experience may one day be a journalistic somebody.

It is a measure, for example, of Mr. Noah's wet-behind-the-ears status that he would think it appropriate to pepper his piece with a smart-alecky anecdote about our Mr. Clark Mollenhoff, but would not bother to mention Mr. Mollenhoff's many honors, including a Pulitzer Prize. Furthermore, a more experienced reporter would have also been compelled to acknowledge that Mr. Mollenhoff is widely conceded to be the father of modern investigative journalism in this country.

Beyond that, I must respond to Mr. Noah's cheap shots at this newspaper. First, when he erroneously says that reporters ignore stories in the paper owned by the Moonies. Erroneous, in the first instance, because the newspaper—as any even halfway-serious observer should by now know—is *not* owned by the Moonies. But secondly, because, in fact, stories from this newspaper are not only routinely and frequently picked

The Watch Is Out On Jesse Helms



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up by the wire services, but also by correspondents in town by the dozen, and frequently reproduced by overseas media as well. We would invite Mr. Noah, should he wish to take the trouble, to examine our bulging files of clippings from around the world. Secondly, it is a little appalling that Mr. Noah should take seriously what is obviously a wisecrack made by our arch competitor, Mr. Ben Bradlee, about his reading habits, as they refer to us. As I had occasion to tell a National Press Club audience recently, I would not presume to advise Mr. Bradlee on how to make himself a better journalist. But I would remark that were he to read the *Times* more assiduously—as other serious journalists do—then he and his newspaper might, conceivably, be spared gaffes of the magnitude of Jimmy's World, the Tavoulareas libel ordeal, and so much more which plagues the *Post*.

Finally, Mr. Noah makes the gratuitous claim that the *Washington Times* isn't read by many people in Washington, let alone the rest of the country. The fact of the matter is that the *Washington Times* has subscribers in all 50 states. The fact of the matter is that, in just one year, the *Washington Times* has achieved a daily readership in the Washington area of nearly 350,000 persons. The fact of the matter is that those persons include the president of the United States, who, we have it on reliable authority, turns to the *Washington Times* first. The fact of the matter is that we, in fact, know of *no* significant public figure who does not regularly read the *Washington Times*, and have tons of testimonials to demonstrate it.

But, as I said in the beginning, Mr. Noah is not yet of sufficient stature to stand in judgment of the fine and eminent journalists who make up the staff of the *Washington Times*. One day, with better reporting and judgment than he has demonstrated in this article, he may achieve such standing.

JAMES R. WHELAN
Washington, D.C.

James Whelan is editor and publisher of the Washington Times.

Timothy Noah replies:

As all but the most distracted readers of my article must have noticed, my point was to *praise* Clark Mollenhoff and his series in the *Washington Times* on George Spanton, and to *criticize* Ben Bradlee and the respectable press for feeling free to ignore Mollenhoff's pieces because they appeared in a newspaper owned by the Moonies. So Mr. Whelan has my editorial stance exactly backwards.

I did once write an article for another magazine in which I expressed misgivings about the ownership of the *Washington Times*—the paper is owned by News World Communications, which is not legally part of the Unification Church but is run by Moon's right-hand man, Colonel Bo Hi Pak, and is widely recognized as a Moon organization—but as long as the *Washington Times* is here, I think it would be foolish to ignore its investigative coups, among which I count the Mollenhoff series on George Spanton.

The Washington Monthly

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TILTING AT WINDMILLS

I was once a politician and can testify that one of the most harrowing moments of a politician's life is when he can't remember a voter's name. He is walking toward you, hand outstretched, with a warm smile that you know won't last for long if you can't come up with that name fast. The headline flashes before your mind's eye: "Peters Loses by One Vote"—and you'll have to live with the painful knowledge of exactly why you lost that one vote. With such excruciating moments still fresh in my nightmares, I was delighted to read in Jim Dent's column in the *Charleston Gazette* of how the late Matthew M. Neely, a master politician who was congressman, senator, and governor at various times in his career, dealt with the problem. As the voter approached and said, "Do you remember me?" Neely would throw his arm around him and say, "Why of course, of course. And how's that back problem of yours?" Neely realized that almost everyone has experienced back pain at one time or another and that for many it was their main complaint, one for which warm sympathy was almost certain to elicit a grateful response in the voting booth. . . .

The United States Senate has passed a lot of bills telling the rest of us that we should be equal opportunity employers. Does it practice what it preaches? The *Atlanta Constitution*'s Andrew Alexander and Larry Checco decided to investigate. Their finding: of the members of senators' staffs who earn more than $30,000 a year, only 3 percent are black. . . .

There appears to be a new angle to the merger game, a field already rich in imaginative maneuver. T. Boone Pickens Jr. of Mesa Petroleum is going after Superior Oil. But, according to Mark Potts of *The Washington Post*, the inside word is that he really doesn't want to catch his prey. Instead, he hopes that his efforts will trigger a larger bid from a richer competitor to whom he can then sell his newly acquired Superior stock at a tidy profit. Pickens failed in earlier attempts to acquire General American Oil and Cities Service, but in each case he found that failure brought a handsome bonus when he was able to sell his stock in those companies to the higher-bidding Phillips and Occidental. So now, say Potts's sources, he's not wasting his time trying to succeed. He knows failure is better. . . .

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The women's movement added sex to the litany of race, creed, and color about which we are not supposed to be prejudiced. Now Alan Cranston has introduced another one. When he was asked about his views on a female vice president at the recent NOW convention, he replied, "I will not let sex, race, or creed, or color, or *size* [emphasis mine] prevent anyone from being considered." Perhaps Senator Cranston is a subscriber to *Stature* (see "Tidbits and Outrages," page 57 of this issue). . . .

While we think Milton Friedman is largely misguided in his faith in monetarism, we have long admired him (see "Milton Friedman: The Ambiguous Achievement of a Positive Economist" by David Ignatius, December 1975) as one of the nation's most original thinkers. So we were delighted to learn that he advocates a return to the spoils system. Interviewed by *Management Magazine*, he said:

"When a new president comes in, he has something like 3,000 positions he can fill. He should have an opportunity to fill an overwhelming bulk of all positions. That doesn't mean he would, in fact, do so.

"The crucial point is that the persons who are elected are perceived by their staffs as being able to replace any employees whom they need to replace. Accountability would roar through Washington right down to the GS-1 level."

While, like Friedman, we are critical of our civil service, we realize we are fortunate compared to many other countries. In France, for example, 320 people are employed by the French National Railways just to answer the 5,000 complaint letters it gets from its passengers each year. If these people worked an average of 200 days per year, according to an item from *Le Point* reprinted in *World Press Review*, each employee would answer an average of one letter every 12.8 days. . . .

The needs of Me Generation members who find themselves saddled with children are not being ignored. William Morrow took out a full-page ad in *The New York Times Book Review* to announce publication of two new books called *The One Minute Father* and *The One Minute Mother*. Those who can't even spare a minute can give the kid the number of Phone Friend, which is described as "an after-school help line for youngsters who are alone." . . .

A lack of modesty has long been a lamentable defect of my character so I'm doubtless too quick to claim credit for any development, such as the reawakening of entrepreneurism, this magazine has advocated. There is, however, one such development, the explosion of concern about the quality of public education, that has occurred this year which I think we—or more precisely, one of our editors, Phillip Keisling—can claim a bit of credit for.

Behind this man stood a new generation dedicated to rebuilding their country. These are their words.

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— Thomas P. O'Neill, Jr.
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In June 1982, motivated largely by the fear that mediocre public schools, particularly in the large cities, had become the new way to keep the poor in their place and that liberals had become more concerned with protecting the jobs of incompetent teachers than in protecting the poor from that incompetence, we published Keisling's "The Class War We Can't Afford to Lose." *The New Republic* liked the article and asked him to do another on the same subject for it. The *Reader's Digest* liked that article so much that it reprinted it as a cover article of the *Digest*'s February 1983 issue. The number of people who were getting Keisling's message had grown from 30,000 to 30 million. Of course, the report to the National Commission on Excellence in Education was the major factor in focusing public attention on the problem, but I think Keisling's article was an important factor in inspiring the kind of concern that made people read the report instead of treating it as just another dull public document from another meaningless commission.

I'm a fan of Ann Landers but one of her stock answers to problems, "seek professional counseling," has always struck me as innocent in the extreme. I was therefore delighted when one of her correspondents wrote that "the vast majority of counselors are completely ineffective, some are downright dangerous and only a precious few do any good whatever." I was also pleased by the candor of Landers's answer: "Because I often recommend therapists and counselors, I do so with my fingers crossed and a prayer on my lips." . . .

You have been reading a lot, I'm sure, about how international lending institutions are begging for funds needed to prop up the ailing economies of the Third World. So what is the World Bank doing with $97 million of its money? It's going to build its third new office building in three years. . . .

One fact about the Third World that liberals find hard to face is the stunning amount of corruption that goes on there. Certainly I found it hard to believe as I encountered it again and again, traveling through that world for the Peace Corps in the sixties—and remember, I came not from some cloister of innocents but from West Virginia politics, where the state of the art had reached its highest form in America, New Jersey and Nevada excluded.

The latest example of Third World corruption was called to my attention by an article about Mexico in *World Press Review* that describes how that country's leaders, including Jose Lopez Portillo, the former president, and Jorge Diaz Serano, the former head of the state oil monopoly, have amassed a total of $40 billion in loot. . . .

One automatic liberal position previously shared by this magazine has been opposition to government bailouts of companies that have gotten into trouble. The evidence from Chrysler, Conrail, and Lockheed suggests that maybe we ought to take another look at this position. On the whole, we're better off that these companies survived. Otherwise, hundreds of thousands of workers would have lost their jobs and the country as a whole would have suffered from the economic consequences.

On the other hand, I think the government should make sure that it does well if the company does well as a result of the bailout. Next to the Pinto, the worst thing Lee Iacocca ever did was to try to weasel out of Chrysler's obligation to the government after the bailout had succeeded.

I see the matter as analogous to asking a worker to take a wage cut to keep an industry alive. If the worker takes the cut, which I usually think he should, and the government makes the bailout, which I'm obviously beginning to favor, each should share equitably in the profits with the company's managers and owners if the bailout works out. . . .

Charles Percy is expected to face a tough race to retain his Senate seat next year so it's not surprising that he is conducting a vigorous newsletter effort.

The family of Joanne Alter of Chicago, for example, received eight copies of one recent Percy newsletter. This was not the wisest expenditure of postage. Mrs. Alter is the Democratic national committeewoman from Illinois. The laugh,

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however, is not on Senator Percy. It's on us—we paid the postage on the franked newsletters. . . .

Something else we pay for is conventions. One recent example is the announcement in the *PIA REPORTER*, the "Journal of the Professional Insurance Agents of New York," of PIA's "miniconvention" in Aruba. Headlined "Recipe for a PIA Aruba Cocktail," it read:

"Place yourself and your family on a large sandy beach in Aruba. Heat in 85 degree sun and expose to gentle February trade winds.

"Add pleasant company, casual summer clothing, PIA education seminars, shopping bargains, gambling facilities, fabulous food, and tennis courts. Shake well while you experience Aruba's nightlife. After drinking, deduct cost of ingredients on tax returns."

How can they get away with it, you ask? Well, if you'll reread the above with a magnifying glass, you'll note the mention of "PIA education seminars." Don't tell me you doubt that they are the central purpose of the convention. . . .

I bet you were beginning to think I would get through one column without mentioning lawyers. But I just have to tell you about the 1983 mid-year election of the Pennsylvania Bar Association to be held at the Mountain Shadows Hotel. Is that some new Pennsylvania resort you haven't heard of? No, it's located in nearby Scottsdale, Arizona.

The cost of these little jaunts is not modest: $1,018 for a Scottsdale single; $1,395 for Aruba. And don't terms like "mini" and "mid-year" give you a sinking feeling that we're now paying for them in addition to the regular conventions each year?

Why do I keep harping on abuses in convention travel and why do I keep harping on abuses by lawyers? Because the tax dodge involved in convention travel spreads the poison of tax cynicism throughout the middle class, and because the lawyers are supposed to have the highest, not the lowest, standards of integrity in regard to the law.

Just two more items about lawyers and then I'll stop for this time. A travel firm called FP Tours, advertised as "the world's largest packager of 24-hour divorces," offers the attorney the opportunity to make travel and legal arrangements for 24-hour divorces in either Haiti or the Dominican Republic. What does the lawyer get for making that one phone call? The promotional literature says, "Most of your colleagues around the country are charging fees of approximately $300 on top of the fee to be paid to our Caribbean counsel. . . some attorneys are charging as much as $1,000."

Now for the final lawyers' item. When I practiced law in West Virginia in the late fifties, we were paid nothing for defending indigent criminals in federal court and $50 per case in state court. My firm did not object because it thought it owed a reasonable amount of such service to the community and because it saw me gaining experience negotiating with prosecutors, interviewing witnesses, and trying cases. In the District of Columbia lawyers are now paid $35 per *hour* for such work. To justify such a fee, Judge Harold Greene wrote an article in *The Washington Post* that described how Washington lawyers behaved in 1966, the last year they got the same pay we got in West Virginia for federal cases—namely, nothing.

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the quality of their representation to the amount of money they were able to squeeze out of the generally indigent relatives of their indigent clients. Cases were postponed again and again to allow more time for these collection efforts. When ultimately it became obvious that the defendant's relatives had neither cash nor property they could mortgage, the attorneys simply entered guilty pleas regardless of the availability of a valid defense."

Judge Greene's next words reveal the moral desert in which the modern American lawyer dwells:

"Objectively, one could hardly blame them. ". . .

Washington is full of rich lawyers who could afford to devote part of their time to free representation of the indigent. Their excuse is that they don't know criminal law. Yet thousands of them are lobbyists whose main skill, negotiating, is the one most relevant to plea bargaining. Thousands of others are skilled at interviewing witnesses and trying civil cases. There's just not that much difference involved in doing the same thing on the criminal side. Indeed many of those distinguished members of the bar suddenly feel very competent in criminal law when a rich defendant seeks their services.

If today's lawyers lack any sense of obligation to the poor, modern American conservatives are no better. A press release for the Heritage Foundation's *Policy Review* says that in one of its articles "James Bovard suggests that one of the reasons hunger still exists. . . is that many families who get food stamps or other food aid fail to budget properly."

The only kind of poor people the conservatives can identify are nice, clean-looking people, George Wills in overalls, sitting in nice, clean kitchens in nice, clean suburbs carefully computing their monthly food budgets. The life of real poverty is usually vastly different, sometimes chaotic, often desperate, full of humiliation and disorder. . . .

Fuller Torrey, one of the few American psychiatrists who has not devoted his career to the care of the comfortably heeled, recently wrote movingly in *The Washington Post* about the lives of some of the poorest of the poor, the homeless bag ladies and grate gentlemen who roam the streets. A significant percentage of them, he points out, are schizophrenics who were turned out of mental hospitals on the grounds that they could be treated in community health centers.

But community health centers also want the George Wills as patients. They don't want a bunch of disorganized schizos who can't remember their appointments, lose their Medicaid cards, and cannot pay part of their fees. Besides, they look so crummy. As Judge Greene would put it, "Objectively, one can hardly blame the centers." . . .

To turn to more cheerful news, veteran readers who have shared our concern about the intellectual elite's disdain for commerce will share our joy at the publication of *The Harvard Entrepreneur Society's Guide to Making Money.* Its introduction says that entrepreneurism is now "socially acceptable," and continues, "This statement may surprise... those who went to college in the 1960s and 1970s, but it is true." I certainly hope it is. But I also hope that these Harvard entrepreneurs distinguish between just making money, which is morally neutral, and making money by making good products and giving people jobs, which is morally dandy. . . .

Buried in a long *Washington Post* article about why the Korean 747 drifted off course was this comforting news for transoceanic travelers who wonder how crew members remain alert on those long overwater flights. "The record is replete," said one veteran pilot, "with numerous incidents of a guy just falling asleep." Further reassurance for the air traveler comes from a little detail about the lavatory fire on Air Canada that, I believe, only *Aviation Week* picked up. While the fire was still small, the co-pilot went back to put it out. But he didn't try because his fire extinguisher wasn't the dry-chemical type that works on electrical fires. He was afraid using the extinguisher would just make things worse. . . .

"CIA Director William J. Casey," read an October 7 UPI story, "was awarded the agency's highest medal for outstanding leadership yesterday during a surprise ceremony at the agency's Langley headquarters. A citation read by Deputy Director John McMahon said Casey was awarded the Distinguished Intelligence

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We're confident that the decision to make this award was just as objective as *USA Today*'s recent choice of Allen J. Neuharth as the interviewee to ask how well *USA Today* was doing. He said he thought it was doing a perfectly dandy job. He happens to be head of the Gannett Corporation, which happens to be the owner of *USA Today*. . . .

Self-respect can be a problem for people who have chosen to make money rather than do something significant with their lives. How do those psychiatrists who treat only the well-to-do or those lawyers who represent only the rich justify their existence? Demonstrating that they are people of taste seems to be the most common way these days. That lawyer will have a house hung with paintings that testify to his discernment. That psychiatrist will have a waiting-room coffee table that features the most intellectually chic of publications. You don't have to give your life to a good cause if your lifestyle demonstrates that you have good taste.

This feeling has fueled the brand-name snobbery that has swept the country in recent years. A nurse was recently asked why she was participating in a strike: "I have sons who wear Nikes that cost $40, " she replied. If her sons were happy to wear regular tennis shoes at half the price, she would be a lot freer to make a decision about that strike in terms of her convictions about the issues.

When I was in school, people bought jeans. They were cheap, available to all, and there was little social discrimination based on the cost of clothing. Today most people who can afford them buy designer jeans, and there's a lot of social discrimination based on that fact.

In New York there is a sense of urgency about the display of taste that is unique in my experience. The reason seems to me to be captured in the crowded New York cocktail party where you have only a couple of minutes, sometimes only a few seconds, to flash your taste badge before that beautiful blond turns to someone else.

In a recent article about the Manet retrospective at the Metropolitan Museum of Art, Philip Shenon of *The New York Times* asked why 7,000 people would stand in the long opening-day line. It was clear from the answers that, as one of the standees put it, "being able to see something first makes them feel special" and "makes them feel interesting." Another, a student, said, "Now we can walk up to people next week and ask them if they've seen the Manet show. And most of them won't have. If we waited a week, a week's worth of students would have seen this before us. We certainly don't want that to happen. " . . .

—*Charles Peters*

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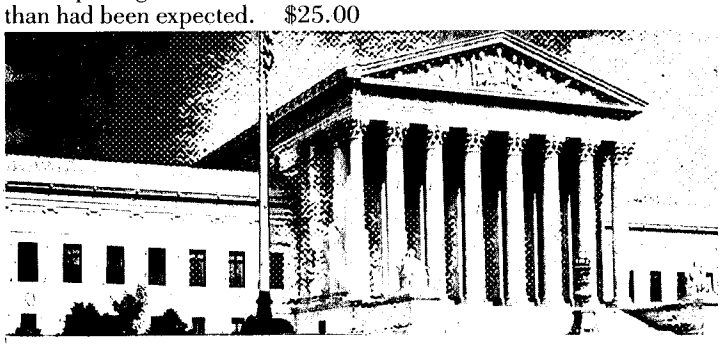

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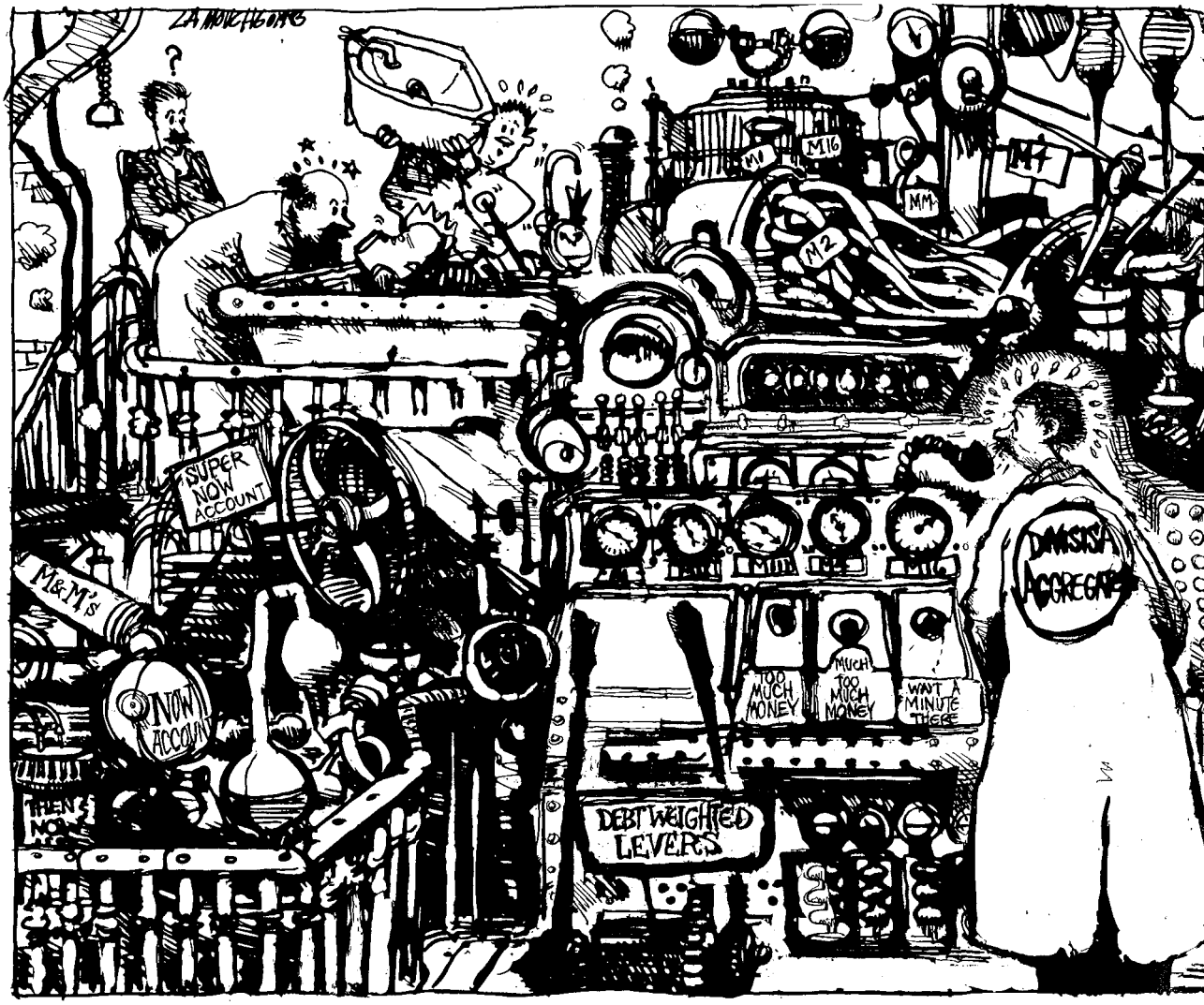

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The Cult of M1

By Jonathan Rowe

At 4:15 p.m. on Fridays, most of the inhabitants of New York City's office towers are straightening the piles on their desks, but in the large investment houses such as Salomon Brothers and Prudential Bache, the action is just starting. At this time, the Federal Reserve Board, the nation's central bank, releases its estimate of the nation's cash, a number that has become talismanic among this group. If the number is far enough from what they expected, then all hell breaks loose. Phones ring, voices haggle, buy and sell orders tally in the billions. The ritual continues through the following week as the dealers both play out their bets of Friday and try to anticipate the betting of a Friday hence.

The press covers these transaction rites with deadpan earnest. Noses pressed against the glass, financial reporters for the *Wall Street Journal* and *The New York Times* record every tick in the market—bonds up two points, stocks down three. They proffer reasons—the money figure itself, the latest GNP estimate, tensions in the Middle East—for by conventional thinking, these market ticks are harbingers of great and fundamental import. They quote Delphic utterances from bond house oracles like Henry Kaufman of Salomon Brothers, because these, of all men, understand.

Dutiful and uninspired as these press accounts can be, they lay bare a world in which the news is rarely what it seems. On August 31, for example, the Federal Reserve Board announced that the nation's money supply had plunged by $2 billion. That meant—or appeared to mean—$2 billion less for people to spend or invest. It meant less employment and economic well-being. This news "buoyed the money markets, which already were cheered by the slowdown in robust growth," *The Washington Post* reported. Early last March, when the Commerce Department announced a 3.6 percent jump in its index of "leading indicators," the largest one-month increase since July 1950 the president

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was understandably ecstatic: "A bright green light for recovery" quoth he. The markets, however, became "jittery," according to the *Wall Street Journal*.

These bond rituals are but the latest act of a drama that has been unfolding since the founding of our nation—the tension between creditors and producers. Though we've just about forgotten it today, this was a central and often rancorous theme during our first 150 years. Our very first home-grown political uprising, for example, consisted of debt-wracked Massachusetts farmers, led by Revolutionary Army Captain Daniel Shays, who tried to shut down the courts that were foreclosing on their farms. The ensuing nervousness among creditors helped bring about the framing of our Constitution. Andrew Jackson staked his presidency on his war against the money-center bankers embodied in the Bank of the United States—the "monster," he called it—which was the forerunner of today's Federal Reserve. The largest and most sustained political protest movement in our history, the Populist Revolt, was in large measure the response of desperate farmers to the tight money policies fostered by the Republicans after the Civil War.

The 1896 Democratic nominee for president, William Jennings Bryan, is often dismissed by sophisticates as a creationist bumpkin buffoon. Yet even though his "free silver" platform may have been a sell-out to Western silver interests, he at least understood that money is not, as we think today, a technical matter, but a deeply political one. His tub-thumping denunciation of tight money—"You shall not press down upon the brow of labor this crown of thorns; you shall not crucify mankind upon a cross of gold"—was one of the truly inspired moments in American political oratory. In that day people did not defer to the technicians at a central bank; they made the money issue their own. "On the street, in the schoolhouse meeting, in the debating club, wherever several are gathered together," the *Southern Mercury* reported of the Bryan campaign, "the money question has been seriously discussed."

The Americans of that day were largely farmers and small-scale producers, who are debtors almost by definition. One who understood this was Brooks Adams, grandson of John Quincy Adams and brother of the better known Henry. In the wake of the devastating financial panic of 1893, the Adams brothers spent many hours at their family home trying to unravel how such catastrophes came about. From these discussions, and his researches in Europe, Brooks produced one of the forgotten classics of American letters, *The Law of Civilization and Decay*, which traces the cycles of prosperity and decline through Imperial Rome and the Europe that arose haltingly from its remains. Along this much-traveled path, Brooks Adams detected a somewhat unobserved design. As a culture prospers, and producers and merchants amass large sums that exceed the needs of their business, there arises a new type, the banker, whose attitude towards wealth is very different from that of those who created it.

"With the advent of the bankers," Mr. Adams explains in a key passage, "a profound change came over civilization, for contraction began. Self-interest had from the outset taught the producer that, to prosper, he should deal in wares that tended to rise relative to coin. The opposite instinct possesses the usurer; he found that he grew rich when money appreciated, or when the borrower had to part with more property to pay for his debt when it fell due, than the cash lent him would have brought on the day the obligation was contracted."

The tension between those who create value and those who control the symbols of value already created—between debtors and creditors—was not an invention of rube politicians on the American frontier. It was a central theme in the economic history of the West. When the banker-creditor mentality gained the upper hand, moreover, the engine that had produced the wealth began to halt. By the mid-1840s, for example, "the money lenders had become autocratic in London." They "contracted" the currency; it became scarce. "There was extreme suffering throughout the country," Mr. Adams writes. "The revenue fell off, wheat brought but five shillings the bushel, while in England and Wales alone there were upwards up of 900,000 paupers."

Does any of this sound familiar? Substitute "Washington" for "London" in the above paragraph, and you get a fairly close description of the thinking that has guided our own economic policy in the last few years. Money has been tight, interest rates high, and the vulnerable among us—farmers, small-business owners, all—have been falling by the way. The individual presiding over this policy is as close to the banker type as you will find, having spent his entire career shuttling back and forth between the U.S. Treasury, the Chase Manhattan Bank, and the Federal Reserve Board. He is, of course, Paul

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Volcker, the chairman of our Federal Reserve.

The new contraction was not portrayed as the imposition of one group upon another, but as something for which our gullibility seems limitless—a new economic theory. This one, called "monetarism" (perhaps because "moneyism" would be a bit blunt) holds that the health of the Republic rests upon nothing so much as keeping money tight. It puts money, and those who hold it, at the center of the economic policy universe. The Kansas and Dakota farmers who attended the old Populist organizing meetings would have recognized this doctrine well—Republican sound moneyism of the type that had driven many of them to ruin.

The Populists would have recognized monetarism for what it is—a way to put producers under the thumb of bankers.

Monetarism is a branch of the kind of economics—called macroeconomics—that has held sway in America for at least the last 50 years. Macroeconomists generally are not concerned with anything specific, such as how companies are managed or how to engender a spirit of entrepreneurship in the land. They are concerned, rather, with "aggregates" of taxes, spending, and money, which can be controlled from Washington. The idea is that if you concoct just the right "mix" of these from Washington, everything else will fall automatically into place.

Roughly since the Depression, the followers of British economist John Maynard Keynes have constituted the dominant "macro" school. These—if not Keynes himself—looked primarily at taxes and government spending, and thought that you could use these as a sort of carburetor. When the economy was slowing down, the central government would spend more, cutting taxes and borrowing if necessary, and the resulting infusion would get the engine started up again. When the economy was "overheated," you could flip the carburetor—in theory at least—so that there were more taxes and less spending, and thus cool things down.

This rich mix/lean mix approach initially seemed to work, but by the late seventies it was floundering. Like any stimulus, from a new toy to caffeine, the spending injections seemed to provide less and less boost as time went on. Spending was getting stuck on high and, perhaps even more important, inflation seemed to be out of control. And although most Americans came out of the seventies with more spending power than they had when they went in, they *felt* threatened nevertheless. Creditors, both here and abroad, were of course the most upset of all.

Money-based economics had been rescued from the stigma of Republican contractionism and re-rendered as respectable academic theory by Milton Friedman, the professor who purported to prove that the historical graph of inflation followed fairly exactly the graph of the money supply. The attraction of such a theory to bankers is obvious, but under the circumstances it touched a nerve in others as well. It reduced all our complex economic problems to a simple metaphor that the most obtuse editorial writer could understand. It said that we could rid ourselves of inflation by turning one simple valve—the money-supply valve—in Washington. Most appealing to the creditor mentality, moreover, is that this new approach would take effective control of our economic fortunes out of the hands of the elected government—the "politicians"—and put them into the hands of a man who, without question, was one of their own—Paul Volcker, Chairman of the Federal Reserve Board.

Now Mr. Volcker didn't really need a new theory to send interest rates zooming. But he is an astute politician—"the most effective at amassing power that I have ever observed," a friend says—who realized he could not just announce he was going to raise interest rates to 20 percent. Far better to present the move as a change in technique. Instead of targeting interest rates, and thus taking responsibility for them as the Fed had always done, he would now set targets for the money supply and let interest rates rise or fall as they would. "Rise or fall" really meant, of course, "rise a great deal." But this way, when people

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complained, he could simply shrug his shoulders. "It has been very convenient when a congressman asks why interest rates are so high," says Frank Morris, the independent-minded president of the Regional Federal Reserve Bank in Boston, "to say, 'We don't know. We are just controlling the money supply.' "

Volcker has purportedly backed off this "new" technique, but it has served its purpose. We now accept high interest rates the way we accept $1.20-a-gallon gas, and the monetarist cover is no longer necessary. The essence of Volckerism—tight money and high interest rates as the control levers of economic policy—remains. Though these rates seem somewhat lower, the "real" interest rate—the difference between the stated rate and inflation—is actually higher now than it was in 1979; and even the stated, or "nominal" rates, appear headed back up. Making matters worse, the deregulation of banking is requiring banks to pay top dollar for their money, and thus virtually ensures that the interest rates they charge their borrowers will not come down too far. It is thus important that we understand what is wrong with the tight money cure.

TRAVAILS OF M1

From the start, Volcker's policies have been a fallacy within a fallacy. First, there was the technical monetarist ruse, that you could both define the money that you seek to control, and then control it with great precision. Second, there is the broader fallacy, that tight money can rid us of inflation; not just suppress it, as codeine suppresses a cough, but cure it at the roots.

To the monetarist mind, spending money—what the Fed calls M1—is the culprit, because it drives prices up. Hence this is what monetarists try to control. At one time it was fairly easy to separate spending money from savings, but lately the two have blurred. Super NOW accounts, for example, today earn more interest than savings accounts did just a few years ago. As a result, the monetary doctors have a conundrum: are the new accounts really checking accounts on which you earn interest or are they savings accounts on which you can write checks?

On such angels-on-a-pin distinctions, great questions of policy ride. Depending on how you called the new Super NOW accounts, for example, M1 could appear to have grown from 1982 to 1983 by anywhere from 6.6 percent to 12.9 percent, numbers with very different policy implications from a monetarist view. The Fed called them M1, with resulting alarm over the apparent 13 percent money growth. But former Federal Reserve economist William Barnett, who is now at the University of Texas, has worked out a new divining rod, called "Divisia Aggregates," which suggests that, in his words, Volcker's policy "has been much tighter than the [Federal Reserve] board thought." Who's right? Nobody knows. "We can no longer measure the supply of money in the U.S.," says Morris of the Boston Fed.

Yet the attempt continues, to the immense benefit of those involved. And considering that the Fed employs in the vicinity of 500 economists, the benefit is substantial. There are "Divisia Aggregates" to explicate, new M's to footnote, and once you get started, there's no end to this sort of thing. "Under the aegis of monetarist doctrine," declares Professor Sidney Weintraub of the University of Pennsylvania, "the central bank has tended to create more aggregates to provide busy work for its staff." Lest this staff stumble upon information that conflicts with official Fed policy, even the economists at the regional banks must submit their articles to the board in Washington for approval.

If defining the money supply is hard, then controlling it with the kind of precision that monetarist doctrine assumes is well nigh impossible. Some of the problems are obvious. Take Eurodollars, which are dollars that we spend abroad for such things as OPEC oil, Japanese cars, and factories our multinationals build in Taiwan, and that the recipients keep in their own countries. There are upwards of a trillion of these Eurodollars—more than the total amount of spending money in the U.S.—floating hither and yon; and the more the central bank tries to tighten our money supply and pushes up interest rates, the more these Eurodollars might come back to the U.S. to take advantage of the high rates. Given this potentially huge but unpredictable backflow, the Fed has to try all the harder to tighten the money supply. As a result, Volcker squeezes a few more ounces of blood from the farmers and business people in this country to compensate for the multinational high-flyers who have their own pool of Eurodollar funds.

On top of that, of course, are credit cards, those little portable money machines in our pockets. Such glitches are just the beginning of the central banks' problems, however. The fault line in monetarist practice really goes much deeper. When the central bank wants to diminish the supply of money, it sells government bonds to a selected group of banks and bond houses,

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leaving these with less to use or lend. (It can also adjust the amount that banks have to keep in reserve for each dollar they have available to loan out.) Ultimately, less money comes to roost in the accounts of depositors. But *how* much less? Our system of checkbook money is a little like a rabbit warren. It's always reproducing. You deposit $100 in the bank, and that $100 is there not only for you to write checks on, but also for the bank to lend to someone else (minus a percentage it is required to keep in reserve). If it lends out $80 to someone else, your $100 has in effect become $180.

That new $80 multiplies in similar fashion, and so on down the line. Then there is what the experts call "velocity," which is the speed with which people spend their money. The faster they spend it, the more there is. Fifty dollars that turns over twice a month is as good as $100 that turns over once. The question then becomes, how fast will people spend?

calculations—more than three times the low end of his target range. The year before, he had come in *under* his target. But before you get excited about the apparent new outpouring of beneficence, remember that velocity dropped further last year than at any time since the war. Taking this slower turnover into account, the House Banking Committee staff calculates that while telling us he was giving us more money than planned, Volcker was actually giving us less money than he had the year before. Something very similar had occurred back at the end of 1981 and beginning of 1982, when the money supply appeared to grow 7 percent, but velocity fell at a 6 percent annual rate, giving us a continued dose of what is politely called "recession." It begins to look like sleight-of-hand. But even assuming that Volcker has played it straight, it's fairly clear that any economic policy based on controlling the supply of money is going to be a pretty rough policy tool at best.

It doesn't matter that the Fed's numbers have little connection with reality; the market's obsession with M1 BECOMES the reality.

Here the monetary doctors hit the wall of economic prediction. All they have to go on is what has happened in the past. For a number of years that was sufficient, because we had settled into some fairly stable patterns. Today, however, all bets are off. Eight-percent checking accounts, high-tech cash transfer, smaller families, and a hundred other things are affecting the speed with which money changes hands. Last year velocity plunged by 4.5 percent after rising by a fairly steady 3 percent annually since the war. This decline has lasted longer, moreover, than any since the Great Depression. Nobody knows all the reasons, nor can they, and the Fed is left feeding grass to an erratic cow, hoping and praying that the amount of milk it anticipates comes out the other end.

Being able neither to define what he is controlling, nor to control what he is defining, Mr. Volcker's inability to hit his self-proclaimed "targets" should not have been very surprising. Last year M1 grew 8.5 percent by Volcker's

Well, you say, so what if monetarism is not much more than a highbrow excuse to put us through the old-fashioned wringer? Who cares? Volcker got inflation down to 4 percent, didn't he?

Yes, but that was no great feat. You could have done the same, if you could have turned the money spigot tight enough long enough. Getting at the roots of inflation is something else again. This the money cure cannot do.

The notion that inflation springs from the supply of money says a good deal more about the way many economists think than about the way the world works. Take the most obvious example, oil, which quadrupled in price in 1973, and then doubled again in 1979. Didn't the Arabs' anger at us for aiding Israel in the Yom Kippur War have just a little bit to do with it? Didn't their discovery that they could do what the Texas Railroad Commission has done for years—limit output and raise the price—have a little bit to do with it too? Since the Second World

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War, we've had three episodes of double-digit inflation—immediately after the war, when price controls were lifted but the factories hadn't caught up; and the two oil price increases of the seventies. Too much M1?

The monetarists seem to dwell in a world in which there is no world, only the money supply on the one hand and behavior on the other. Of course money counts for something; but the story is what happens in between. To talk intelligently about inflation, you have to ask why steel workers, for example, were making 28 percent more than other U.S. production workers in 1970, and 74 percent more a decade later, even though their industry was foundering and 19 percent of their coworkers had been laid off. You would have to ask why the automobile and steel industries are now raising their prices instead of trying to win back markets from their foreign competition. You'd have to ask why Chrysler didn't start to offer rebates until a couple of years ago when the entire auto industry was virtually on its knees. You'd have to talk about the cost-of-living adjustments that have made inflation such a painless ride up for so many.

CLOSET MEDDLERS

Are you starting to see the point? The way we *do* things is a large part of the reason that things keep costing more. We cannot change this by playing paper policy entrepreneur with the money valves in Washington—or with the taxing and spending valves either, for that matter.

We can, of course, stall the engine this way, which is what Mr. Volcker has done. It doesn't solve the problems, and the price is very great. We all know of the thousands of farmers and businesses that have gone under, and the millions who have been thrown out of work. But what of the record $70 billion balance-of-payments deficit that is staring us in the face because the "strong dollar" has made foreign products so cheap here and our products so expensive in other countries? What of the factories our corporations built abroad because their dollars could buy them so much more there than here? (While capital investment in the U.S. is down since 1979, our corporations are still investing abroad *more* than they did that year.) What of the record federal deficits to which Volcker's policies have contributed in two ways—first, by drying up federal revenues; and second, by making interest costs the fastest growing portion of the federal budget. These are close to half the $200 billion deficit for 1983. This is a rather high price to pay for a remedy that does not cure. To get at the roots of inflation we'd have to quit the macroeconomic head games and get our hands dirty in the world of experience. We would need, for example, income restraints, starting at the top. We'd need to end tax deductions for credit wastes such as corporate takeover battles and leveraged tax shelters. We'd need standby gas rationing to protect us from another oil shock. That and more. Conservatives will recoil at this suggestion of "planning," as though tax deductions for their favorite activities are not a form of planning, and as though tight money engineered by a central bank is not planning of the most draconian kind. The only difference—and this is a key to monetarism—is *who gets to do the planning, and for whose benefit*.

HUNT STUNT

Tight money is credit allocation. At the height of the credit crunch of 1981, for example, a *Wall Street Journal* headline proclaimed, "High Interest Rates Deter Small Borrowers, But Major Corporations Unfazed." Come hell or high water, banks continue to lend to their largest customers, who keep the multimillion-dollar checking accounts and ring up impressive service charges. In 1981, while smaller businesses couldn't get loans, corporate mergers and takeovers were eating up the sum total of new bank financing for that year. These larger companies don't even pay the Fed-contrived high interest rates to begin with. Often they get below-prime rates. And since interest payments are tax deductible, the U.S. Treasury in effect picks up 40 cents of each dollar of the interest that they pay. Smaller businesses, especially newer ones, have little or no income and hence gain little or no benefit from the deductions. In sum, the majestic equality of tight money is no less than that of the law.

Not only has Volcker been allocating credit implicitly in this fashion. He's been doing so explicitly as well. Remember the billion-dollar loan he personally arranged to bail out the Hunt Brothers from their silver speculation losses in 1981? Volcker was at it again a year ago when he urged money-center bankers to continue lending to the credit-hungry developing countries, even promising that his bank examiners would wink at these loans, which they might otherwise classify as risky.

It gets worse. The Hunt Brothers' borrowings consumed a full 10 percent of the lending for

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January and February of 1981. In March, Mr. Volcker and his Fed colleagues tightened up on the credit available for everyone else. Had the populace been aware of these doings, it no doubt would have breathed a sigh of relief that by such wise central banking we have kept the Republic safe from wild-eyed schemers who would use the institutions of government to intervene in the marketplace in undemocratic fashion to impose their own preferences upon everybody else. Brooks Adams would have understood.

TO MARKET

We can't understand the monetary dances of the last few years without going back to where we started: the network of banks and investment houses that buy and sell government—and to a lesser extent, corporate—bonds.

The bond market is not a place, like the stock exchange. Rather, it's a telephonic clique. At the hub are 40 or so firms, ranging from the biggest New York banks to those mysterious investment houses like Salomon Brothers which seem to produce Republican economic advisers the way Darien produces debs. Through a gentlemanly process that is more like a club initiation than the granting of a license, the Federal Reserve selects these firms as the exclusive conduits for the "Open Market Operations" by which it buys and sells government bonds and tries to control the amount of spending money in the economy. Buy or sell, there is generally a profit for the bond house; and since all bond trading averages $50 billion a day, the profits can be substantial.

Two points will help us understand the psyche of this strange market. First, bondholders regard inflation the way a movie-magazine heartthrob regards age: it's a wipe-out. Bonds yield a fixed return, which inflation only diminishes. Hence given a choice between growth, which can mean inflation, and stagnation, which (to a bondholder, at least) is less risky, the bondholder will generally choose the latter. Secondly, and equally important, bond traders make money not by clipping coupons, but by making trades. They are thus inclined to seize upon news that will make other bondholders feel dissettled, and just about anything will do. Merely by worrying aloud—in a speech in South Africa, no less—about the possibility of strong economic activity (good is bad, remember?) dour bond oracle Henry Kaufman of Salomon Brothers can almost single-handedly send the market downward, as he did back in August. But when it comes to jitter potential, nobody holds a candle to Federal Reserve Board Chairman Paul Volcker. The biggest game in the bond market has been what they call there "playing the M's."

Paul Volcker's conversion to monetarism may have been of dubious benefit to the country, but in the bondhouses on Wall Street it was an utter boon. The weekly M1 figure became the key to the mysteries, and hence a source of continual worry, a 24-hour roulette wheel at which the action never stops. On August 19, for example, bond prices rose almost two points after the Fed disclosed what appeared to be a $500 million drop in M1. On July 27, the Fed had reported that M1 had grown by $1.2 billion, moving banks to raise the prime rate by half a percent.

It used to be that the stock and bond markets were like the opposite ends of a see-saw, but now the stock dealers are worrying as much about the money numbers as are their counterparts in bonds. The M1 fetish is so intense that it has given rise to what Albert Sommers, chief economist of the Conference Board, calls a "cottage industry" of consultants that provides the Wall Street equivalent of tip sheets on the Fed's forthcoming M1 figure. The tipsters aren't always awfully accurate. But, hey, if it gets people stirred up, it has to be worth something, right? One of these firms, Money Market Services, employs about 40 people and brings in about $3 million per year.

The deficiencies of the Fed's weekly reports are legendary. For example, they aren't even for the current week, but rather for the week that ended nine days before. But to argue over the validity of these weekly M1 figures is like questioning the aerodynamics of a tail fin or asking why anyone would need a $150 Head warmup suit just to go shopping. It misses the point entirely. Like tail fins, the weekly numbers are not for utility but for action. Edward E. Yardeni, chief economist at Prudential Bache Securities, put it politely when he told *Business Week* that the numbers "reflect the market's expectation on the directions of interest rates and Fed policy." Translation: They are a great occasion for dissettlement. As credit columnist Michael Quint put it in *The New York Times*, "The first concern of traders is outguessing the market minute by minute, not with analyzing the true worth of new economic data." Forget the old distinctions between perceptions and reality. The obsession with M1 becomes the reality.

This became painfully clear early in 1981, when the bond traders misread Volcker's signals, and

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thinking he had loosened up on the money supply, they traded interest rates down. Everything was fine until April, when the Fed released the minutes from the Open Market Committee at which the actual decisions had been made. Lo, far from loosening the money supply, Volcker had tightened it. The response, according to the old *Washington Star*, was a "minicrash." Bond prices fell, and interest rates jumped a full percent. This is iatrogenic instability—the bond market responding to itself.

Most bond traders are understandably defensive about their M1 obsession. "If it's the market reaction then it can't be excessive," bristled Steve Blitz of Salomon Brothers. Others are more skeptical. "A private game in the financial community" is what the Conference Board's Sommers calls it. Economist Alan Blinder of Princeton gets heated on the subject. "It's as though a bunch of high rollers went and played the tables in Las Vegas, and it was widely reported in the press." "There is absolutely no connection between this world and the productive world," adds an investment company official who preferred not to be identified.

Would that it were so. The real danger of this M1 crapshoot, however, is that the connections to the productive economy can be all too real and perverse. It jerks interest rates up and down, and stock and bond prices along with them. The resulting nervousness moves lenders to tack on what they call a "risk premium," in effect an extra interest charge to take account of uncertainty about the future. What is even worse is that the mentality of these M1 crapshooters has become a touchstone in the highest reaches of economic policy. When Paul Volcker's renomination as chairman of the Fed was still an open question last spring, the press saw the issue almost exclusively from the standpoint of these financial markets. "Volcker has the total confidence of the financial community," columnist Hobart Rowen wrote in the *Post*, in a comment typical of the respectable press; and what was most extraordinary is that nobody else's confidence seemed to matter.

"The bond market scenario has become everybody's thinking," observes House Banking Committee staffer Richard Medley, one of the more thoughtful observers on Capitol Hill. That includes the man who has most to say at this moment about our economic fortunes, Mr. Volcker himself. Last May, the Open Market Committee decided—in secret, as it always does—to tighten the money supply so as to slow down the economic recovery. The minutes of that meeting reveal that Mr. Volcker and his majority felt that tightening the money supply would have a "favorable effect. . . on market perceptions about monetary policy and the outlook for containing inflation." This was at a time when unemployment was still hovering close to 10 percent and a quarter of our productive capacity was going unused, but it is bond traders and not producers who matter these days. A few months before, at a hearing of the Congressional Joint Economic Committee, Senator Ted Kennedy charged Mr. Volcker with pursuing a monetary policy that was "completely contrary" to the goal of economic recovery. Mr. Volcker responded that, personally, he felt there was "room for interest rates to come down." However, he added, "we have a hypersensitive audience." Volcker seems to be as concerned with providing statistical placebos for the money markets, as he is with producing sufficient dollars for our economy. Could it be that he knows better, but feels a little trapped?

"The credit markets are in control. They have taken charge of policy," Prudential Bache's Yardeni told me, not bragging, simply stating a fact. This also, Brooks Adams would have understood. What might have surprised him, however, is how little the rest of us seem to mind. After all, there may be over 10 million unemployed, but there are now over 12 million money market accounts, and that doesn't even include the new Money Market Deposit Accounts at the banks. We are no longer farmers who go hat in hand to the banker in the spring. We are now on the receiving end. Since 1960 our income has increased six times over, but our interest income has increased *15* times. We are getting twice the interest we received as recently as 1978. "When banking was deregulated," the Banking Committee's Medley says, "many people didn't think through the profound implications." This deregulation, combined with Volcker's tight money policies, have helped to turn us into a nation of bankers. In Brooks Adams's phrase, we prefer increasingly that coin rise relative to goods, and that includes even our corporations, the capital investment of which may be down since 1979, but which are getting 60 percent more interest income than they did that year. And if you want to know why a latter-day Jackson or Bryan has not appeared to stir us from this troubled land, part of the answer is here. We are busy, thank you, opening a new money market account at the bank.

■

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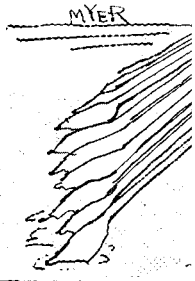
DRESS BLUES & BLEEDING MOHAWKS:

SCENES FROM THE MODERN NAVY

BY SCOTT SHUGER



Before the disappearance of the draft and the disillusionment that came in the wake of Vietnam, most Americans had at least a passing familiarity with the armed services. Today, even with U.S. troops under fire in Lebanon and conducting maneuvers in Central America, most civilians view the military as they regard household plumbing. They're glad it's there, and they'll even spend a fair amount to keep it working. But they don't want to be bothered with details.

I'd like to bother you with some of those details. Important decisions hinge on how the public perceives the military, and these details also play a critical role in how well the military does its job. Too often, civilian ignorance combines with service shortsightedness to give us a military that lacks public confidence and internal efficiency. And such a military benefits no one.

I speak from some first-hand experience. I am an intelligence officer in the U.S. Navy, serving with a carrier-based aviation squadron. I have been on active duty for four and a half years. Eighteen months—over a third of my stint—have been spent on a warship at sea, away from my family and home. Twice I have spent more than 100 consecutive days between ports.

Scott Shuger now lives in Ann Arbor, Michigan. This piece was written while he served on active duty in the Navy from 1978 to 1983.

A U.S. Navy warship is an enclave of absolutes—all gray, all male, and all business. There is ordinarily no authorized use of drugs or alcohol, though the Navy's increasingly longer stays at sea recently led it to allow a total of two cans of beer per man after 45 days. Likewise, after a week at sea, fresh fruits, vegetables, and whole milk are generally unavailable. Typical meals feature soyburgers that look like Nairobi trail markers and water with enough jet fuel mixed in to make lighter fluid taste like Perrier. Hot water and water pressure also become elusive, making shaving and showering high adventure. Even on the largest warships, you are never more than 1,000 feet from your work. As a junior officer living in a steel closet, your periods of sleep are constantly interrupted by the comings and goings of your five (or eight or 12) roommates, or the phone calls that they, invariably, are never there to receive. Imagine somewhat worse conditions and you get a pretty good picture of what life is like for enlisted men. And until they reach the highest commands, senior officers don't have it much better than me; frequently a carrier's commanding officer works on the bridge 20 hours a day.

Along with other squadron intelligence officers, I man the aircraft carrier's intelligence center, keeping abreast of ships' positions, possible unknown aircraft activity, and all technical and political message traffic relating to the task

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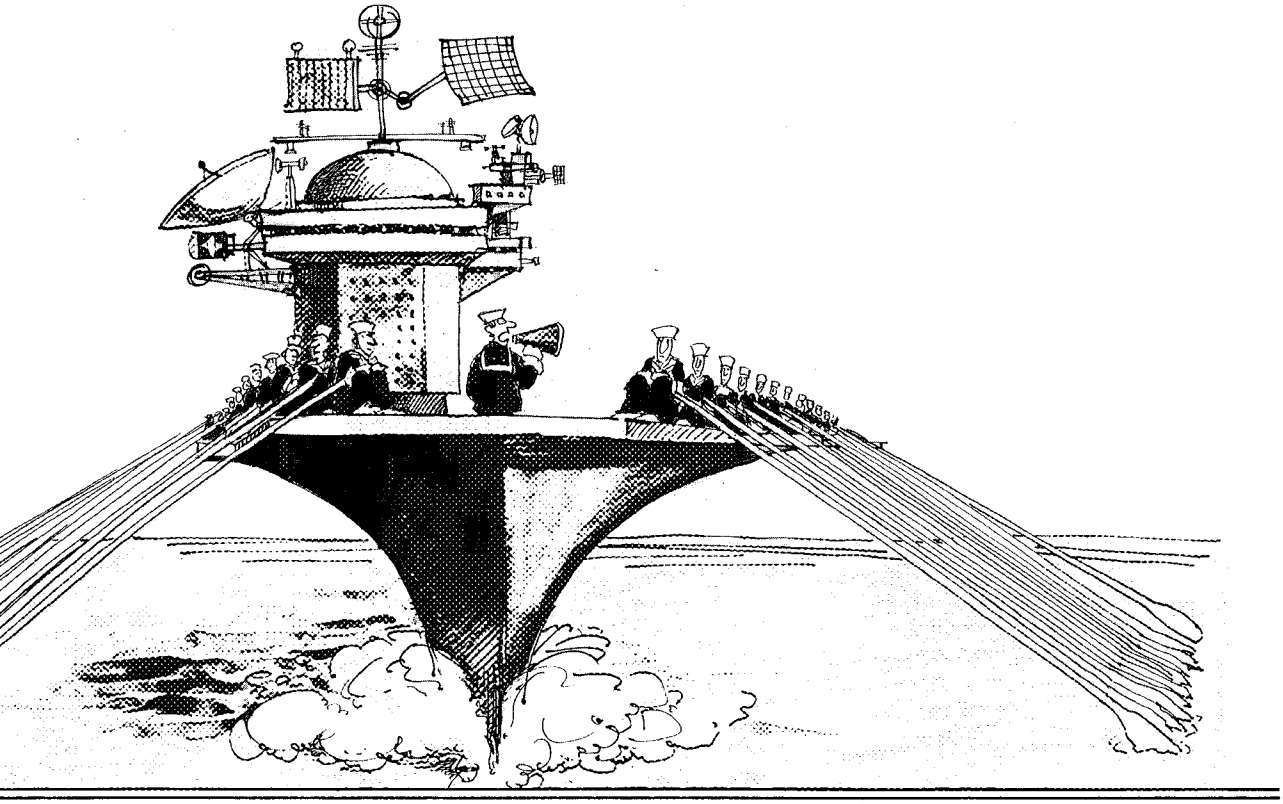

group. Our squadron flies the E-2C, the Navy's carrier-based radar surveillance plane, which includes among its missions airborne early warning, surface surveillance, fighter and strike aircraft control, antisubmarine warfare, and search and rescue operations. As a member of the squadron, besides mission planning I also fall prey to the usual collateral duties assigned to junior officers. For example, I have put in a lot of time editing squadron documents, collecting money for the Combined Federal Campaign, and administering the squadron's physical training program. On top of all this, there are always watches to stand. These are four- or eight- or 24-hour periods of being the man on the spot in various places.

Except for those infrequent occasions when I flew off the carrier or snuck in some jogging on the flight deck (a never-ending battle waged against oil slicks, jet noise, high winds, pitching decks, and speeding trucks), my shipboard duty virtually could have been on a submarine. Aircraft carriers do not have portholes (at least not for the great unwashed), and often the only way you could tell day from night was by looking at the clock. Since there were plenty of 24-hour clocks set to Greenwich Mean Time lurking about, that didn't always help, either.

Daily shipboard life is mostly a blur of routines, though there are a few diversions besides contemplating the possibility of war. Movies are a very big pastime. On carriers, wardrooms run a picture nightly, as do the squadron ready rooms. As you might expect, these films are not generally first-run. Some movies are released to great success around the world and some are sold to television. Others can be used to verify that the projector works. It's *these* that we usually have to rely on to help us forget that we are killing another summer off Oman.

The harried naval officer looking for a break in the daily routine can also seek refuge in the officers' barbershop. Here at least is one place where you can legitimately escape from your work (keeping your hair within "regs" is a military obligation) and probably your boss as well (there are only one or two chairs). Unfortunately, while you're here you also have to get your hair cut. Since Navy warships don't have trained barbers, they use a random rotation of junior enlisted men from the supply division. Playing this form of tonsorial roulette is always exciting and the results are sometimes spectacular. Will you be worked on by Airman Recruit Schmucatelli, who likes his work but nonetheless did try to trim your nasal hair with a straight razor? Or will you get Airman Manson, who hates his work, hates officers, and has the criminal record to prove it?

At least the haircuts are free. All you have to do afterwards is write a comment in the shop logbook. Still, it amazes me how timid otherwise

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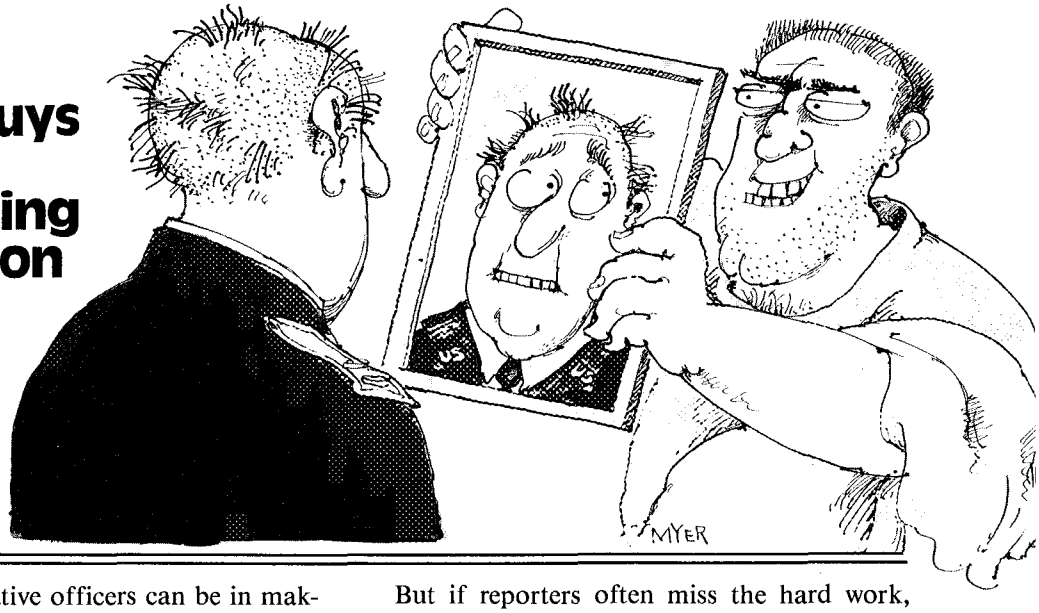
"These guys could be devastating working on ejection seats."



gruff and authoritative officers can be in making these evaluations. I have seen commanders with bleeding, asymmetrical mohawks write "outstanding" in the logbook. My suspicion is that they are worried about where someone goes when he gets fired from the barbershop. These guys could be devastating working on ejection seats.

Tangled up in blue

Civilian ignorance of military life is aggravated by the false impressions frequently left by the media. The crash two years ago of a Marine EA-6B on the aircraft carrier *Nimitz* is remembered by many as "the crash where everyone was on drugs." The Navy's investigating board did find that some flight deck personnel had used marijuana within 30 days of the crash, which killed 14 men. But sensational press coverage obscured the board's determination that the plane's crew and the on-deck signal officer were drug-free and that the accident was caused by the misjudgments of a tired, inexperienced pilot.

Another erroneous story appeared in August 1980. I was among more than 5,000 sailors who arrived in Singapore on the *Constellation* following 110 consecutive days at sea. After taking special precautions and relying on the standard practice of staggered crew liberties, only a handful of crew members ran afoul of the local authorities. Imagine my surprise, then, when I later read a wire service story describing how 5,000 sailors had rioted in Singapore's streets. If the reporters and editors involved had merely checked with local and Navy authorities, this story never would have appeared.

But if reporters often miss the hard work, sacrifice, and generally exemplary behavior of those in uniform, they also often overlook examples of rather baffling military behavior. One day in early 1981 when I arrived for work at my hangar in San Diego I was surprised to see many people wearing dress blues instead of khakis, the usual working uniform. This was so unusual that my first reaction was that someone had died and everyone had dressed for a memorial service. I did not realize that *overnight* the uniform of the day had been changed. We were now to report to work everyday dressed like Pug Henry set to dine with FDR.

Later, I learned what had happened. Several weeks before, the chief of naval operations had suggested in a message that to heighten the public's awareness and appreciation of the Navy's mission, personnel should consider wearing a dress uniform more frequently, even in circumstances when one might otherwise have worn civilian clothes. Unfortunately, when the CNO makes a suggestion, lesser admirals climb all over each other trying to make rules. Thus it was that, in San Diego, with absolutely no prior warning, dress blues became an obligatory daily uniform for officers and chief petty officers.

The ensuing complications were considerable. Many officers and chiefs work with and around aircraft and ship hardware. Needless to say, in the presence of grease and jet fuel, it is difficult to keep a double-breasted blazer immaculately clean. Moreover, most of the personnel affected by the regulation had only one, or at most two, sets of dress blues. This circumstance prompted a sudden purchasing run on a totally unprepared exchange supply system. Within days, dress-blue

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paraphernalia were as hard to find as common sense. The new regulation immediately cost me an extra $150—particularly aggravating in light of the fact that the regulations were completely rescinded five weeks later.

This tale brings to mind another baroque Navy regulation regarding uniforms. The Navy provides leather flight jackets to all aviation personnel, but then makes it practically impossible to wear them. The jackets are usually not worn in aircraft because they do not fit well with the survival equipment. Because some higher-up apparently believes the customary practice of affixing personal and squadron patches to the jackets somehow reflects badly on the Navy, they are not permitted to be worn off-base. As for on-base, at various times during my tenure at Naval Air Station Miramar, they were banished from the exchange, the commissary, and the officers' club. But my personal favorite was the ruling that allowed base-wide wear of the jacket, but only by a person in a flight suit possessing a copy of that day's flight schedule showing that the wearer was about to go, or had just been, flying.

One might dismiss these incidents as bureaucratic peccadilloes that ultimately have no bearing on what really matters: our ability to fight and win a war. Unfortunately, the Navy has a habit of exhibiting the same kind of bureaucratic behavior when it comes to matters of far more consequence.

For example, take the case of the Navy's problem-plagued fighter/attack plane, the F-18. At first blush, the F-18 sounds like an impressive aircraft. This McDonnell-Douglas plane, based on a Mach 2 design by Northrop, was originally touted in the early 1970s as a low-cost complement for the Navy's F-14 fighter as well as a high-tech replacement for the aging A-7 bomber. Although the TFX disaster under Robert McNamara should have made experienced Navy hands gun-shy about another multimission aircraft, the allure of a "twofer" is hard to resist. And so the Navy decided to buy this plane for its own carrier squadrons and the Marine Corps.

Just how many F-18s will be bought is uncertain, since its price seems to rise more often than the national debt ceiling. But there are other problems besides cost. The plane has a single seat, a departure from two decades of Navy doctrine that in air-to-air combat, four eyes are better than two. The plane currently cannot carry as many bombs, or as far, as an A-7 can without refueling. And the F-18 uses considerably more fuel in the landing configuration than the A-7 or the F-14, a crucial fact when conducting "blue water" carrier operations beyond the range of land and emergency airfields.

For these and other reasons, the Navy has balked at certifying the F-18 in its attack role, emphasizing instead its capabilities as a fighter. But even here there are problems that those intimately familiar with the plane have recognized. For example, the F-18 has wing-tip missile stations that it inherited from its land-based Northrop ancestor. To an Air Force pilot, this is no big deal. But anyone who's worked on a carrier knows that the wings on carrier planes are designed to fold when the plane is out of the landing area. Considerations of space allocation for maintenance and launch planning require this. Hence, at sea, the missile stations on the F-18 will usually be out of easy reach for repair and reloading. Carrier crews thus face the prospect of moving squadrons of airplanes to a large, free area in order to have their missiles loaded, removed, or checked. This is a handling officer's nightmare and a real blow to a carrier's air warfare readiness.

How is it that the Navy has gotten taken like this? Why is it that flag officers for a decade have kept quiet about these shortcomings, or (worse still) touted the F-18 as the best thing since ejection seats? Because they wanted to be chief of

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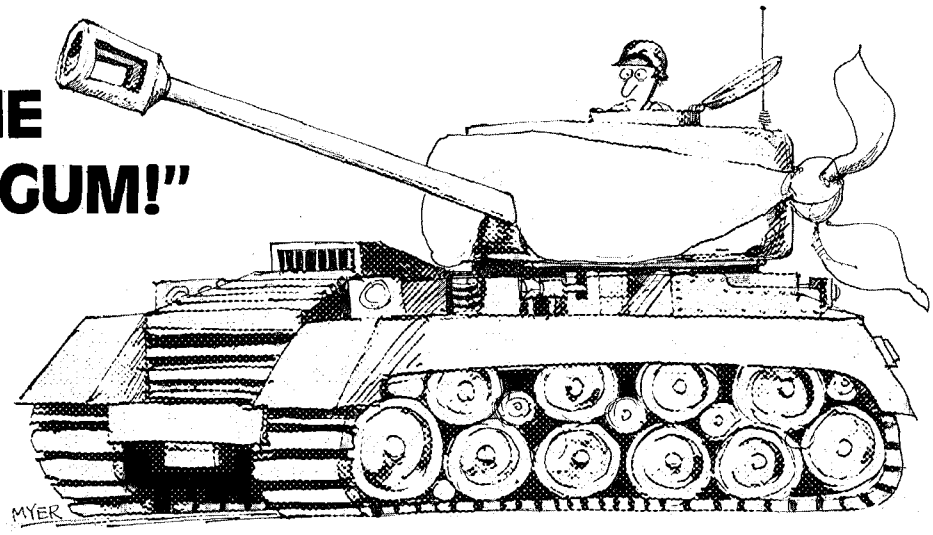
naval operations someday. So why didn't the CNO say something? Because he wanted to be chairman of the Joint Chiefs of Staff—and you don't get there by bad-mouthing your own service's weapons. After all, as experienced and well-intentioned as these men are, they won't be flying the F-18 some night, trying to put too few bombs on a too-far target. That's why those who want to find out how these weapons really work should listen a lot more to the military men who know the most about them. These are the middle level officers—the lieutenants, the lieutenant commanders, and the commanders—who now fly the planes and have to think about leading squadrons of them into combat. Congressmen, invite them to your hearings; reporters, seek them out for stories. They may want to be CNO, too, but somewhat less than they want to survive the next war.

Besides the F-18, there are other large holes down which the Navy has poured our money. One such yawning chasm is a program called Aviation Officers Continuation Pay. Several years ago, the top brass looked at the poor retention

"PRAISE THE LORD AND PASS THE BUBBLE GUM!"



The Navy isn't the only branch of the military where the top brass ignore problems that plague subordinates in the field. It still rankles me to think that at the height of the Vietnam war we were experiencing a 14 percent dud rate with our mortars. The 100,000 rounds we fired every month on the Viet Cong represented 14,000 globs of steel and TNT that the enemy could turn into Claymore mines to plant along jungle trails and in the streets of Saigon.

The problem with the mortars was with the fuse. But in spite of a lot of high-level meetings at Picatinny Arsenal in New Jersey, as minutes of these meetings show, for several years the government made no progress in correcting the problem. No one, it seemed, thought it was all that urgent. Except, of course, the soldiers on the ground in Vietnam. How many of them were maimed or killed with these defective American mortars is impossible to say, but the official U.S. Army handbook on mine training, which is still in use today, claims that fully 70 percent of the war's deaths and injuries came from mines and booby traps.

There's a more contemporary example of this disregard for the concerns of those who dwell near the bottom of the organizational chart. But instead of defective ammunition, this case involves a rather arcane concept known as "muzzle boresight doctrine."

For years, the NATO countries have competed in tank gunnery contests for something called the Canada Army Trophy. Among afficionados, this is considered the America's Cup of tank-shooting. In recent years, the Americans have gotten their rumps shot off in these contests, but now that the Army has the new M-1 Abrams tank, hopes are high that it will do to the Germans (the perennial winners) what *Australia II*'s winged keel did to the *Liberty*.

Now, I know there have been problems with the M-1: its terrible gas mileage, its flammable hydraulic fluid, and its abysmal repair record to name just three. But

John J. Frost, a retired colonel, is an international defense designer and consultant. He is currently living in Belgium.

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figures for pilots and decided that some sort of program was required to avert an aviation manning crisis. They came up with the AOCP, whereby officers received a number of months' worth of additional base pay in return for obligating themselves to additional service.

So far, so good. But because the program was based on aviation service rather than an officer's total time in service, the bonus was made available primarily to those officers who already were inclined to make the military their career. In my squadron, 12 officers signed up for AOCP. Of these, three were senior lieutenants; the rest were lieutenant commanders and commanders already well entrenched in their career patterns. For them, the bonus was not an incentive so much as it was a windfall.

Moreover, in the Navy there are two primary types of aviation officers—naval flight officers (navigators, bombardiers, etc.) as well as pilots. Unlike pilots, who are subject to the lure of the commercial airlines, NFO's have rather healthy retention figures. But they were deemed equally eligible for AOCP and took full advantage of it.

I've also worked with the M-1, and I can tell you this: not only are the tank's problems being solved, but when it's working, it's the hottest piece of armor in the arsenal. The M-1's major defect, needless to say, is that it sometimes *isn't* working right. And this leads back to muzzle boresight doctrine and the ability of the Army bureaucracy to foul up the simplest of matters—like making sure one of its most sophisticated weapons can hit the broad side of a barn.

With tanks, it's crucial to align the firing system so that, with a minimum expenditure of ammo and time, you hit what you're aiming at. This is no backyard shoot. The targets are often more than two miles away and when you factor in wind, weather, and the movement of both the tank and its target, it requires a great deal of skill and precision equipment to score a first-round hit. And as tank crew members know, if you don't hit the target the first time, you're fairly likely to find yourself on the wrong end of the next volley.

Though other NATO armies long ago began using a small optical device to check and align all elements of the tank's gun system, our tank crews traditionally have contented themselves with a time-honored method involving string, binoculars, and bubble gum. This procedure involves opening the breech of the tank's gun and stretching two pieces of string across the inside of the barrel to form a cross hair. The gum is customarily used to secure the string. A crew member then climbs inside the tank and, with the aid of binoculars, peers through the gun barrel to align the cross hairs with a target 1,200 meters away.

Evidently chastened by our tanks' dismal performances, last year the Army modified its muzzle boresight regulations to specify the use of an optical alignment device. The initial results of this change were truly impressive. Some tank crews began claiming success rates of 97 percent in first-round hits. Some of us even began having happy visions of winning back the Canada Army Trophy.

But then the Army's arsenal engineers decided to enter the picture. Their intervention, I'm convinced, was prompted by the fact that our tank crews initially resorted to a handy, relatively inexpensive boresight of Swiss manufacture that cost less than $3,000. When the engineers discovered this, they threw a bureaucratic fit, manipulating the military specifications to preclude use of this boresight in favor of a much more expensive model that cost up to $9,000.

The engineers made a pretty convincing case that this device was more sophisticated and precise—convincing, that is, unless you were a member of a tank crew that had actually tried to use one of them. What the crew members discovered was that this boresight didn't take an expert to operate, it took a magician—and a very careful one at that.

Actually, the boresight works pretty well in the quiet of the laboratory or in peculiarly sedate peacetime conditions. The difficulty arises when things get the least bit frantic, as they tend to when the shooting starts. Drop this boresight, or even knock it around a bit, and it's suddenly worthless; it must be sent back to a specialized maintenance shop to be recalibrated. Even with normal use, the boresight goes out of alignment with distressing frequency; of 11 boresights distributed recently to tank crews, seven of them almost immediately went out of whack.

Relying on this boresight is a lot like having to focus the headlights properly on your car almost every time you make a trip. Such vigilance is inconvenient enough if you're only making an occasional nocturnal foray to the corner grocery store but imagine what happens if you're trying to stop Soviet tank brigades as they storm across the Fulda Gap. Needless to say, no enemy is about to permit periodic "recesses" in the fighting so we can take our boresight back to the maintenance shop to be serviced.

So among the troops in the field you won't find many kind words—though you will find a great many profane ones—about the Army's boresight. Unfortunately, this is no laughing matter. For better or worse, we now have a $2.1 million new tank whose defects, I trust, will soon be corrected. Meanwhile, I know of at least one tank crew that has returned to string, binoculars, and bubble gum, and I know that in this summer's competition for the Canada Army Trophy, the Germans once again made fools of us on the gunnery field. So far, only our pride has been injured. A lot more will be if the Army's failure to listen to its own soldiers causes our tanks to charge into a real battle someday with a blind eye. —*John J. Frost*

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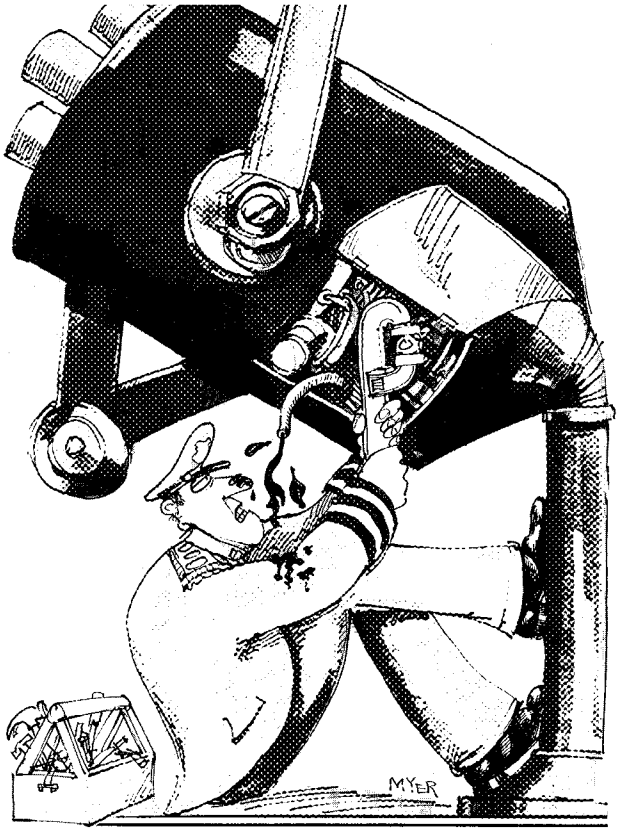

So while it was supposedly developed to retain junior officer pilots, the AOCP was mostly paid to others who were staying anyway—like the NFO commander with six months left on his last flying tour who collected $16,000.

The folly of the AOCP program is underscored by the fact that studies have consistently shown that money alone cannot keep people in the Navy. For years, nuclear power officers have been eligible for a huge bonus upon their acceptance of a second set of orders, and yet their retention figures remain low. Defenders of the AOCP will point to recently improved pilot retention figures, but don't be misled; the improvement is due largely to the foundering commercial airline industry.

How do such dubious programs as the F-18 and AOCP happen? One reason becomes clear if you indulge in a little exercise. Printed annually in the Proceedings of the Naval Institute are the pictures, in lineal order, of all Navy flag officers. Get a copy of one of these issues and go through it looking at warfare specialties. You will see a lot of dolphins (submarines) and a lot of wings (aviation), especially in the three- and four-star ranks. You will see surprisingly few surface officers, supply officers, intelligence officers, or any other sorts of officers you might have expected to find.

This lack of diversity seems a prime culprit in the F-18 and AOCP decisions. While the large number of senior aviators at the top of the Navy's organizational pyramid is enamored of the F-18's flying capabilities, they've given short shrift to the serious logistical problems that those junior and middle-level officers familiar with the plane realize will plague it under wartime conditions. Likewise for AOCP; the fraternal feelings of senior aviators have caused them to push through bonuses that most pilots and NFOs will candidly admit are costly and ineffectual.

Airplanes and submarines represent a critical and glamorous aspect of a modern Navy mission. But the success of that mission depends mostly on things like fuel and supply planning, communications, electronic warfare, security, management, and political analysis. Since military people love sports analogies, here's one that's apt: our present Navy is like a football team composed mostly of interior linemen coached by guys who only know trick plays.

I don't have 50 suggestions for bringing about this added dimension to the Navy, but I do have one. One of the first things a junior officer notices about enlisted men is how important their performance and continuing education are to their promotion prospects. One of the second things he notices is how irrelevant performance and continuing education are to his *own* promotion prospects. If an officer is dangerous in the airplane or rams the pier every time he brings the ship in, this will definitely affect his career. But, as things are presently structured, as long as an officer shows minimal competence in his specialty, he will probably continue to move in step with his peers for a long time, even if his general development is totally arrested. All he has to do is come to work and get more senior.

This is good news for narrow and average officers, but it is bad news for those who have a real thirst for knowledge and are quick studies. They will have to wait a long time—usually 20 years—to break out of the pack. And this is bad news for the Navy, because most of them won't wait. They'll leave to suceed elsewhere. To remedy this, the Navy should hold promotion examinations for early advancement covering material inside and outside the officer's specialty.

At Aviation Officers' Candidate School in Pensacola, the constant byword of the drill instructors as they prepared us for military life was, "Attention to detail!" This is good advice, not just for those of us in uniform, but everybody else as well. After all, in war it's the little things that can kill you. And in peace, it's forgetting about the little things that can start wars. ■

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WHO'S WHO in the Administration

A Georgetown housewife came up to **Charles Peery**, the provost of Washington Cathedral, at a recent party in Washington. "I played tennis with **Justice O'Connor** today," she said, "and she said she thought you attacked the administration in your sermon this morning." The priest was taken aback. "*I* attacked the administration? I certainly had no intention to." The lady asked, "Well, what did you preach on?" The priest answered, "The Christian obligation to the poor." . . .

One area where Reagan has been especially effective at consolidating his power is the FCC, where all five of the commissioners will soon be Reagan choices. Three of his original appointees are in place. **James Quello** is a Reagan reappointment of an original Gerald Ford choice. Reagan's nomination of **Dennis Patrick** to replace **Anne Jones** will complete the sweep. An even greater acceleration of the commission's rush to deregulate is likely. This is troubling to those who feel the license to mint money that the FCC confers on television stations should be accompanied by a requirement that the stations do something for the public in return—giving, for example, free time to political candidates to reduce escalating campaign costs that only increase the power of large contributors.

Last September, when **Anne Gorsuch**'s former staff chief, **John Daniel**, was testifying on the Hill about the EPA's friendliness to industry, one name that repeatedly came up was that of **Jim Tozzi.** Tozzi is the prime suspect as the man at OMB responsible for leaking a number of pending EPA regulations to industry. Where do you suppose Jim Tozzi is now? Why, he's left government and founded his own consulting firm. Some enterprising Woodstein might look into whether there are any similarities between the companies he allegedly helped and those who are now buying his services.

In case you're wondering what the Interior Department will be like after **James Watt**, stop wondering. Watt leaves behind such loyal lieutenants as **Garrey Carruthers**, the Assistant Interior Secretary who sped up the leasing of federal coal reserves to mining companies; **William Coldiron**, the Interior Solicitor who helped with the legal work that allowed relaxation of strip-mining regulations; and **David Russell**, who heads the Minerals Management Service, Interior's notoriously lax royalty-collecting agency. At the same time, of course, he also leaves behind a number of disgruntled bureaucrats who will continue to fervently leak to the press and to environmental groups, including one fellow who, according to *The Washington Post*, is known at the Izaak Walton League as "Deep Trout."

In

AGRICULTURE

General Counsel—**Daniel Oliver** has been general counsel at the Department of Education.

DEFENSE

Assistant Secretary for Public Affairs—**Michael I. Burch** is a retired Air Force officer.

INTERIOR

Secretary—**William Clark** has been national security adviser.

STATE

Assistant Secretary for Consular Affairs—**Joan M. Clark** has been director-general of the foreign service and director of personnel.

Undersecretary for Management—**Ronald Spiers** has been ambassador to Pakistan.

Ambassador to Lebanon—**Reginald Bartholomew** has been in charge of United States-Greek defense and economic negotiations.

Ambassador to United Kingdom—**Charles T. Price II** has been ambassador to Belgium.

Ambassador to Argentina—**Frank V. Ortiz Jr.** has been ambassador to Peru.

Ambassador to Saudi Arabia—**Walter Leon Cutler** has been ambassador to Tunisia.

TREASURY

Treasurer—**Katherine D. Ortega** has been a bank president in Santa Ana, California.

AGENCIES AND COMMISSIONS

Chairman, Federal Energy Regulatory Commisson—**Raymond J. O'Connor** has been an executive officer of Prudential Bache Securities, Inc.

Acting Commissioner, Food and Drug Administration—**Mark Novitch** has been deputy commissioner.

Acting Commissioner, Social Security Administration—**Martha A. McSteen** has been Dallas regional commissioner.

Out

INTERIOR

Secretary—**James Watt** has resigned.

STATE

Undersecretary for Management—**Jerome W. Van Gorkum** is going back into retirement.

Ambassador to United Kingdom—**John J. Louis Jr.** has resigned.

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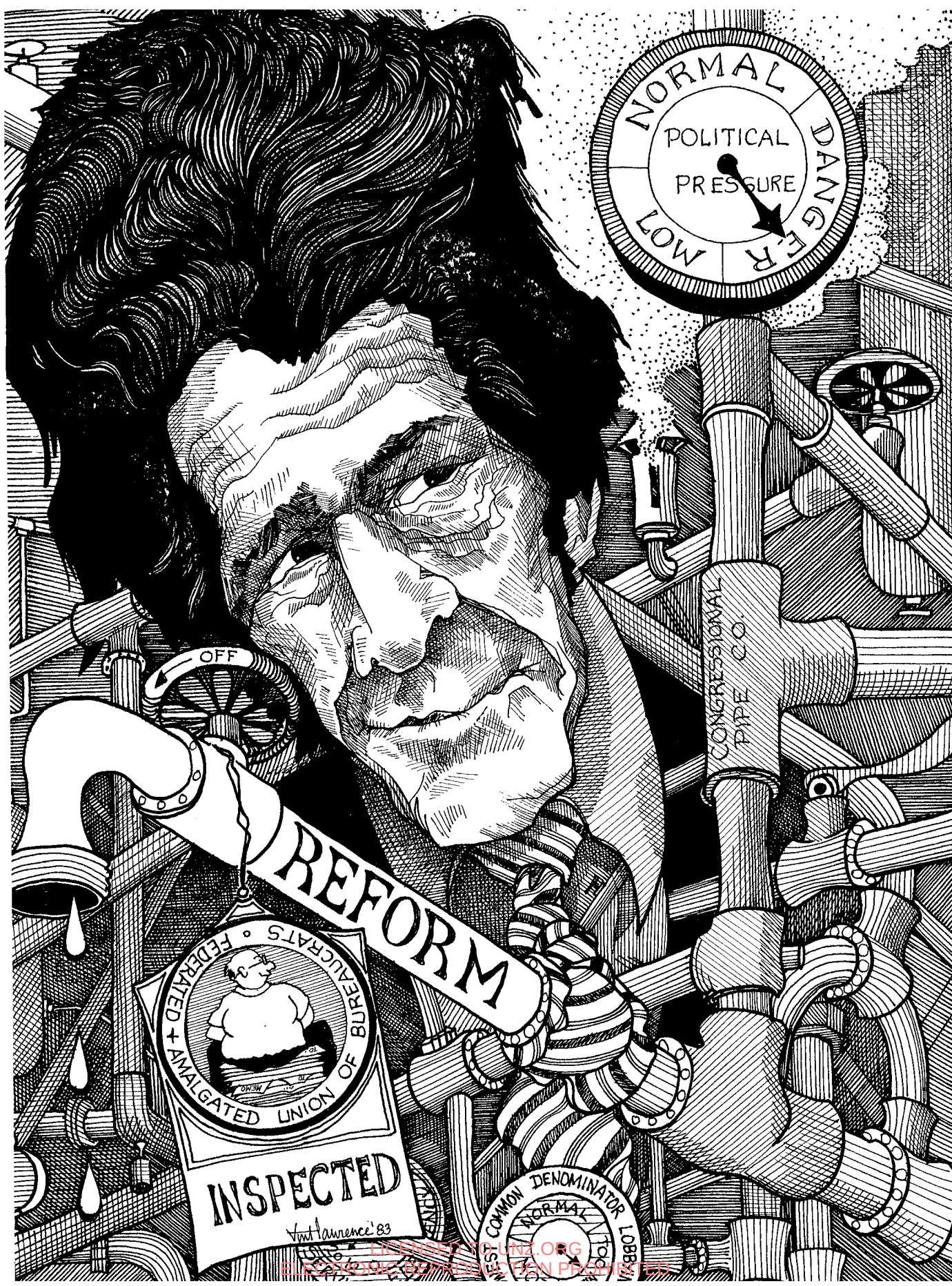

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HATCH 22

The Hatch Act tried to separate civil servants from politics. What we got was the worst of both.

by Teresa Riordan

Last March, about 100 federal workers marched into the Rayburn House Office Building, halted in front of Speaker Thomas O'Neill's congressional office, and chanted "We want Tip, we want Tip," so loudly that neighboring staffs had to close their doors to shut out the commotion.

The boisterous entourage eventually departed after some cajoling from a legislative assistant and nudging from the Capitol Hill police, but the demonstrators had made their point clear: they wanted no part of Social Security.

Civil servants, because Congress created a pension plan for them two decades before it enacted a pension plan for the nation, have never paid into Social Security. Instead, government employees—the largest workforce in America—pay about the same percentage of their paychecks into something called the Civil Service Retirement System as the rest of America pays into Social Security. But they get *three times* the amount Social Security recipients get in pensions. The average CSRS retirement benefit for 1982 was $1,200 a month; the average Social Security benefit was a little over $400. Not only that, but federal employees with 30 years' experience can retire at age 55. To collect the relatively paltry benefits in full from Social Security, one has to wait until age 65.

But the most compelling reason for making federal employees pay into Social Security was that, because many of them paid into Social Security during stints in the private sector before or after their civil service tenure, about 70 percent of federal retirees were getting some type of Social Security pension on top of their monthly CSRS check. And because of the minimum benefit provision in Social Security (those who make the lowest average contributions are assumed to need more money) some government retirees were receiving generous checks though they paid into Social Security only a short while. So, when the National Commission on Social Security Reform looked around last year for ways to buoy the floundering Social Security system, its eyes naturally came to rest on the civil service.

The commission members, logical creatures that they were, looked at the facts and concluded that federal workers (while, of course, being assured a supplemental pension plan as well) should help shore up the sinking Ship Social Security. Logic, however, didn't carry the com-

Teresa Riordan is on the staff of The Washington Monthly.

Illustration by Vint Lawrence

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mission far in the quest to correct the omission of federal workers from Social Security. When the group's preliminary proposals were leaked to the press around Thanksgiving last year, FAIR, a coalition of federal worker organizations, launched an advertising counter-offensive that forced the commission to beat a hasty retreat. By the time it announced its final recommendations in January, the commission proposed that only new-hires be included in Social Security—a minimal plan, but one that would earn $12 billion within seven years from a pool of workers who wouldn't be eligible to receive benefits for another 30 years.

So, was everybody happy? Not federal workers, even though this was the weakest such proposal made in the previous seven years during which time the idea had been frequently kicked around the Hill but theretofore stayed by their political pressure. The fact that only people hired after January 1, 1984—not those currently in the civil service—would be covered, and that they were assured a supplemental pension plan, was not enough.

So federal workers—their unions, rather—launched a frontal political attack, mobilizing their members with frightening slogans in newspaper and TV ads and union publications warning that this limited proposal threatened their pensions. Thousands of federal workers from the American Federation of Government Employees descended on the Hill in early March for a four-day lobbying campaign. ("AFGE Occupies Capitol Hill," read their flier, "Be There With Your Troops"). The National Federation of Federal Employees (NFFE) staged a lobbying week in February. The American Postal Workers Union held a teleconference—a two-hour lobbying training seminar via communications satellite that attracted more than 9,000 members at 47 sites in 35 states (diplomacy apparently wasn't on the agenda—the federal workers who sieged O'Neill's office were from the APWU). And those federal workers who didn't make it to Washington or to the teleconference, it seems, wrote their congressmen. One AFGE local alone, Warner Robins 987, delivered 60,000 postcards to Georgia's senators and two of its representatives.

Federal workers got Russell Long to introduce an amendment that would have postponed putting new federal employees under Social Security until after Congress had established a new supplemental retirement fund. Sounds reasonable, huh? A lot of senators thought so too, until they remembered who chairs the House Post Office and Civil Service Committee: William Ford, Mr. Federal Worker himself. Given the control Ford wields over the committee, it would have come up with a supplemental retirement fund around the same time Jake Garn gets around to introducing a bill to cut Senate pay in half.

NFFE gave gory warnings like "Mandatory Social Security Coverage for Federal Employees: Band-Aid for Some, or Execution for All?" APWU members were told Social Security would leave "no money to pay the pensions of current workers when they retire." FAIR dropped $6 million in six weeks on another advertising blitz in early spring, saying that Social Security coverage would "lead to the bankruptcy of the federal retirement system."

Scary predictions, but oh, so untrue. Had the Reagan administration attempted such courageous lies, editorial pages across the nation would have issued immediate reprimands. But the establishment press didn't raise an eyebrow at these dubious claims—even though the CSRS fund is in about as much danger of drying up as Lake Michigan. Certainly federal workers pay 7 percent of their salary to CSRS (to the U.S. government, rather), but this "fund" is for the most part an accounting procedure that reflects internal transactions of the government. An employee's contributions are paid back to him within a year and a half after he retires. This means the cost of the rest of the pension payments—about 80 percent of total costs—are footed by the taxpayer.

Why did federal workers choose to unabashedly stonewall, vehemently opposing any kind of Social Security coverage, on an issue so in the national interest, rather than, say, concentrate on securing a solid supplemental plan for new-hires? Good question. The answer lies in the size of federal pension checks, which the public has always known to be generous, but has never realized *how* generous, mostly because the Social Security factor has prevented an easy parallel comparison. Federal workers—who have effectively preserved that ignorance for a long time—realize that when Congress sets up a supplemental plan for new hires, their present, rather lavish, benefits will be scrutinized. And what will John and Jane Public find when Congress makes its comparison studies? That pensions cost the federal government 29.5 percent of payroll while the average pension plan costs private-sector employees only 6.4 percent of payroll—or only 14.7 percent when you count what private

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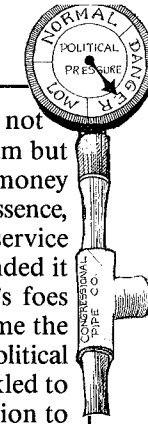

employers kick in for matching Social Security funds. While the Publics might think it fair to provide feds a pension plan—after all, about 45 percent of private-sector employees get some kind of pension from their employer on top of Social Security—they might not be too keen on footing the tax bill for one that pays twice what they can expect from their company when they retire.

Despite repeated displays of militant political pressure from federal workers, the proposal to induct feds into Social Security finally passed this spring as part of the whole Social Security reform act because Congress realized that if any part of the fragile package had been pulled out, the whole proposal would have come apart. And then, tens of millions of Social Security recipients—not just 2.7 million federal employees—would have been writing angry letters to Washington.

Federal workers ostensibly lost on the Social Security issue, but only because, as one congressional staffer says, "It was them against the country." When you consider how long they managed to stay such a fair proposal—such a *minimal* proposal—you begin to realize what a formidable political force they are.

Political force? Now wait a minute, those of you who took Citizenship back in eighth grade are probably saying, aren't federal workers *prohibited* from politicking? The words "Hatch Act" are even probably vaguely stirring in the memories of those of you who got an A in the class.

CIVILIZED SERVICE

The purpose of the Hatch Act (named for Carl from New Mexico, not Orrin from Utah) was indeed to depoliticize the civil service. The act passed in 1939, mostly because the Republicans and conservative Democrats in Congress wanted to stymie the growing federal workforce's potential support of Franklin D. Roosevelt for a third term. You see, back then the civil service was divided into "classified" and "non-classified." Classified workers already enjoyed considerable job protection from political manipulation by superiors. Theirs were "merit" jobs, which meant they had to pass a civil service exam to be hired. Non-classified employees didn't. They could be hired and fired for job performance as well as political loyalty. But they also, unlike classified employees, were free to participate in partisan politics. In the late thirties the non-classified payroll became swollen with New Deal public works employees who felt fiercely indebted to FDR for their jobs—jobs given to them not because they had passed a civil service exam but because they had no other way to earn money during the Depression. The Hatch Act, in essence, incorporated an already existing civil service political neutrality rule into law and extended it to non-classified workers. Ah hah, FDR's foes must have thought triumphantly at the time the act passed, we've just emasculated FDR's political machine. Hah, hah, FDR must have chuckled to himself later when he handily won reelection to a third term, those chumps just locked thousands of my political appointees into the federal bureaucracy, because, though they'd been hired for political loyalty—loyalty to FDR— the Hatch Act now gave them protection from being fired for political reasons.

The Hatch Act may have taken the politics out of the civil service, but it didn't take civil servants out of politics. Although federal workers are prohibited from organizing fellow workers for political causes or candidates, unions and lobbying associations aren't prohibited from doing it for them. Professional union staffers and lobbyists, who aren't subject to the Hatch Act, can solicit campaign contributions from federal workers, sponsor political meetings, and organize grassroots lobbying by telling federal workers what congressmen to send letters to, to call, to vote for. Federal employee unions are one of the best organized, most active lobbies going. "It's like the Israeli lobby," says a House Post Office and Civil Service Commitee staffer. "Only 0.5 percent of your constituency may be Jewish, but if you vote anti-Israeli, you'll hear from every one of them—or at least you'll think you've heard from all of them."

DEVINE INTERVENTION

Federal workers haven't limited their political activity to pension plans. Just take a look at the issue of merit pay, where members of Congress, still black and blue from lobbying punches delivered during the Social Security fight, aren't eager to raise the bureaucratic ire again.

In late March the Office of Personnel Management, which used to be called the Civil Service Commission, announced a new performance-based pay and retention program for federal workers to be implemented administratively—without approval of Congress—under authority granted OPM under the Civil Service Reform Act of 1978, an act whose purpose was to make standards for hiring and firing in the civil service based more on merit rather than seniority. CSRA

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was a brokered fiasco. It instituted a narrow and poorly thought-out merit pay program that applied to about 120,000 middle managers. It was so ineffective that fewer tenured federal workers were fired for incompetence in 1980, two years after the reform act was passed, than were fired in the pre-reform year of 1976, when the discharge rate was one-seventh of 1 percent.

Federal workers and their congressional allies, intent on keeping things the way they were, scurried to prevent Donald Devine, head of OPM, from implementing his merit pay plan. Steny Hoyer, a Maryland representative whose district is to federal workers what Claude Pepper's Miami is to old people, attached a rider to a supplemental appropriations bill to deny OPM the money to finance the changes. And Bill Ford, chairman of the House Post Office and Civil Service Committee, got cracking on his own version of merit pay, which sounded suspiciously like Son of CSRA.

But for a more powerful example of how effective the federal worker lobby has been on merit pay, let's trot over to the Senate side of the Capitol. Ford and Hoyer, after all, are staunch Democrats and union supporters. And their ideological empathy for federal workers is probably reinforced by the generous contributions that public sector union PACs have dropped into their campaign funds—last year that meant $53,231 for Hoyer and $36,025 for Ford. But over in the Senate chamber, it's not just the Fords and the Hoyers you'll find rooting for federal workers—it's Republicans like Ted Stevens and John Warner and Paul Trible who are working overtime to keep the Reagan administration from implementing a merit pay plan. Why are Stevens, the Senate majority whip, Warner, whose AFL-CIO rating for 1981 was five on a scale of 100, and Trible, who co-chaired Reagan's presidential campaign in Virginia, bucking the administration's merit pay plans and going to bat for federal workers? Simple. It's not ideology or even PAC contributions—it's the makeup of their constituencies. They come from states with two of the highest concentrations of federal workers—Alaska and Virginia.

Stevens, under heavy pressure from the Reagan administration—after all, he is second ranking Republican in the Senate as well as chairman of the Governmental Affairs Post Office and Civil Service subcommittee—introduced a merit pay bill that was somewhat along the lines of OPM's original proposal. Federal workers screamed. So Stevens, who's up for reelection back in Alaska next year, invited union leaders to help draft different pay-for-performance legislation that they might be happier with. By mid-July, Devine realized the original proposal was going nowhere and issued revised rules to placate Stevens's subcommittee. Too late. By this time Stevens had offered unions the right to negotiate terms of job standards, financial incentives, and RIF rules to be used in the bill's three-year "test program" in which the number of workers under pay-for-performance has been reduced to one-tenth of Devine's original proposal—from 1.4 million to 150,000.

(Federal workers will tell you that Devine, with his aggressive style and threatening press releases, has done for federal unions what James Watt has done for membership at the Sierra Club—given them a bogeyman to rail against. What they won't tell you is that, unlike Watt, Devine is proposing some fair and reasonable measures.)

To stall for enough time to implement its own program, Congress did indeed block funding for OPM's proposal, which brings us to another telling aside: It was a non-germane amendment to a Transportation appropriations bill, not Steny Hoyer's rider in the House, that was attached by yet another Republican senator—Charles Mathias—which ultimately stalled OPM. Mathias hails from Maryland, a state—surprise, surprise—that's right up there with Virginia and Alaska in its high concentration of federal workers.

UNION DO'S

The key to understanding the irrational obstinancy of federal workers on issues such as merit pay and Social Security is to understand the inner political dynamics of their unions. And the best way to do that is to observe the largest federal worker union—the American Federation of Government Employees—and its president, Kenneth Blaylock. "There's no doubt that when I first came into town I didn't understand a lot of things," says Blaylock. The first thing he learned, it seems, is that in the world of federal employees if you don't want to go back to being a plumber in Alabama, you have to keep your moderate opinions to yourself and espouse views sufficiently strident to appeal to the lowest common denominator of your union.

Before Blaylock became president of AFGE in 1976, federal worker organizations lobbied for their individual causes without much concern for the federal worker community as a whole.

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Blaylock, who realized the value of coalition, organized the federal worker lobby during the 1976 presidential election to help elect Jimmy Carter.

One of the first legislative initiatives Carter attempted as president was to establish a more flexible—a more accountable—bureaucracy. Seeking labor's support for civil service reform, Carter approached George Meany, who told him, "If you want to get right with the AFL-CIO, first you'd better get right with Ken Blaylock." Blaylock, as the only federal worker representative to sit on the AFL-CIO's board, was the key to negotiations on the Civil Service Reform Act of 1978. Blaylock was also the first federal worker union leader to understand what gains could be made by compromise. In return for conceding that reforms were needed in the civil service—that merit pay was a good idea—Blaylock won the promise of a section in the reform act called Title VII, a collective bargaining agreement that represents the biggest legislative victory for federal workers since 1912. "What the unions got out of the 1978 reforms was the right to bargain over virtually any change in working conditions, " Leonard Reed, a contributing editor of this magazine, pointed out in *Harper's* last November, ". . . the management of a military installation, when making temporary out-of-town assignments, now has to choose the person assigned on the basis of seniority. Even the rearrangement of desks—that central activity of bureaucratic life—can now be the subject of union-management bickering. "

Title VII merely put into law an expanded version of a labor-management relations program for nonpostal federal workers which had existed previously under executive order since John F. Kennedy. But had such a program not been on the statutes when Reagan, whose first act as president was to implement reductions in force, rode into town, you can be sure he would have seriously considered revoking the executive order recognizing limited federal worker bargaining power.

So after the reform act passed was Ken Blaylock carried off his feet amid cheers from his fellow workers for such astute political maneuvering? No. Blaylock may have been the first to realize the advantage of compromise, but he was the last to realize its consequences. Instead, Blaylock's fellow union leaders left him standing alone in his support of the reform act—and of Carter. But worst was the betrayal by his own union: "My opponents internally were trying to scare the hell out of my members," Blaylock recalls. And scare they did. At the AFGE national convention in Chicago that summer of 1978, incumbent Blaylock ran the closest presidential election the union has ever seen. Blaylock won, but barely: 109,414 to 107,052. The vote reflected membership bitterness over Blaylock's backing of the reform act: "Everybody was just sure that somewhere in that damn law was a sentence that says federal workers could be fired without due process," Blaylock says.

But the bitterness among AFGE members manifested itself in places other than the voting polls. Blaylock was rebuffed at the convention on key issues such as a dues increase and publicly humiliated when delegates fired by voice vote his closest confidant and adviser and chief architect of AFGE's strategy on civil service reform, Leo M. Pellerzi, who accused Blaylock's opponents of "pandering to the union's malcontents." Morris Udall, the convention's keynote speaker, was almost booed off stage when he tried to praise Blaylock. Convention goers also held a symbolic "funeral" for their relationship with Carter. Marchers in the half-mile-long procession carried signs with slogans like "Amy, Your Daddy Is A Liar."

Several AFGE units voted soon after to disaffiliate and join another federal worker union, because of Blaylock's support for civil service reform. The lesson of the 1978 convention was not lost on Blaylock. "Civil Service reform taught Blaylock a lesson that almost cost him the presidency," says an official from another union. "Now he's certainly more publicly strident."

But just as important as the pressure on Blaylock to placate his union's worst members was the pressure to play follow the leader. "At my union and at other unions," says the same official, "the gut reaction is militancy. Blaylock realized he needed to do what the competition was doing."

Blaylock's strategy and rhetoric turned about-face soon after the 1978 convention. In January of 1979, the key labor supporter of civil service reform was issuing a "call to arms," urging members to mount a counteroffensive to the Carter administration: "The warlords in the administration, Congress, the Chamber of Commerce, the contractors, and the Right Wing intend to steal your retirement and rape your rights and benefits." ("We took a few lessons from the New Right," says Blaylock in commenting on how AFGE's lobbying techniques have changed in the past few years.)

In 1980, Blaylock ran another close reelection

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race, even though he had recanted his support for Carter and was running against the administration. Blaylock, suffering from residual resentment over the reform act, was still being assailed for being too soft. Carl Sadler, Blaylock's main contender for the presidency, attacked the AFGE president for publicly predicting that the federal employee pay raise for October would be 9.1 percent. The low prediction, Sadler said, "encouraged Carter to go for 9.1 percent instead of 13.5 percent."

But Blaylock's rhetoric became increasingly hard-line—hard-line enough to sway many of Sadler's former supporters by the time the 1982 election came around. He whipped Sadler 120,529 to 48,187.

That's why, on the issue of reductions in force (RIFs) and pay comparability, Blaylock—like many good federal employees, unfortunately—thinks one thing and says another. Blaylock conceded in private to a union president this January that it was wrong to say that "the lower grades [in the civil service] are not getting the fruit of the loom. . . . there are two or three levels. . . . where the federal pay on a nationwide basis, really, in a lot of areas is higher than that same skill level in the private sector." Also, in private, Blaylock has talked about how rotten a seniority system, as opposed to a merit system, can be, especially during reductions in force, which AFGE had to undergo just as the federal government did: "I'm not going to go through another RIF of sending people out the door," he said. "That's the roughest thing I've ever done. . . . the bad ones are so high on the seniority you can't get them. People doing a good job for the union, you look them in the eye and tell them they don't have a job. That's tough."

And that's why the same Ken Blaylock who privately says he believes in merit pay ("You get a few slackers in the federal workforce, sure you do. . . when I was in the shop I resented a slacker because I had to pick up his work") is the same Ken Blaylock who's pushing so hard to stalemate merit pay with a bill that would in effect shelve it for another three years.

OPEN THE HATCH

So the civil service of today, because of the politics of federal worker unions and because of the influence they wield over key members of Congress, is nothing like what Congress envisioned when it passed the Hatch Act. Perhaps it's time to recognize the Hatch Act for what it was—a congressional revolt against the New Deal and Franklin Roosevelt—and what it wasn't—positive reform. The Hatch Act didn't eliminate political activity on the part of federal workers, it just changed the form of it. More important, it changed the *motivation* behind it—from ideological conviction to self-interest.

Going back to the system of the pre-Hatch Act years, which distinguished between political and nonpolitical federal workers, would be the quickest route to true civil service "reform." Teddy Roosevelt, who served as civil service commissioner under two administrations before he became president, had the right idea. He said that we should "rightly and properly limit political activity of [federal workers] whose choice and retention. . . political consideration did not enter." But he also said it was wrong to limit the political activity of federal workers who were not protected by procedural safeguards.

Now that's an idea that should delight most federal workers. After all, one of the longest and loudest cries of their unions has been to "un-Hatch" civil servants. Measures to repeal the Hatch Act have been introduced in every session of Congress since 1940, largely because many federal workers want their full political privileges back. Federal workers should indeed, if they so choose, have the right to participate fully in politics. But those who want to "electioneer" shouldn't be allowed to crawl under the protective umbrella of job security provisions when they act as lobbyists when the question of pay-for-performance rolls across the horizon. On the other hand, those who want to hold on to their job security should be able to opt for protection but they shouldn't be permitted to storm the Capitol at the first move Congress makes to cap their COLA. This means they should be prohibited from belonging to unions, who politic and dole out PAC money by proxy. And, in this age of direct mail and Ma Bell, both of which have made grassroots lobbying a powerful force, protected federal workers also should be prohibited from writing and calling congressmen about issues concerning their employment—i.e., merit pay and retirement benefits. They should not have the right to lobby—in other words, to act as politicians—unless they are willing to run the same risks the politicians do by putting their careers on the line. ■

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Protection from catastrophe:

The Medicare reform we really need

by Phillip Keisling

Now yet another entitlement program is hell-bent for bankruptcy. A graph depicting the fate of Medicare's hospital trust fund in the years ahead resembles the topographic profile of a long, low island that slopes gently to the sea, meeting the water line (a zero balance) in 1988. Once submerged, the line suddenly plunges into an abyss of red ink, hitting a cumulative deficit of $300 billion in 1995 and passing the $1 trillion mark in 2005. This, mind you, is 25 years *before* the baby-boom generation comes of old age.

Congress could allow Medicare to pass into insolvency, or it could raise payroll taxes dramatically on young workers who already believe Medicare and Social Security will be gone long before they collect a penny. But let's be realistic. Most likely, amidst much earnest hand-wringing and after waiting until the last possible moment, Congress will fashion a compromise—higher taxes, increased payments by beneficiaries, and yet another announced crackdown on doctors and hospitals.

Unfortunately, this latter strategy will doubtless resemble so much chair shuffling on the decks of a financial *Titanic*. The Congressional Budget Office has identified the reason: "An elderly couple reaching age 65 in 1982, of whom one spouse had average earnings over the 1966-82 period, would have paid in $2,200 (to the hospital trust fund). The present value of their future lifetime benefits is projected to be $63,000—28.6 times their contribution." Two working spouses could only reduce the ratio to 14 to one; had both contributed their entire working lives, the ratio would still be about seven to one.

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Medicare, like Social Security, must be seen for what it is: a massive chain letter that will eventually come due. To maintain current benefits, payroll taxes must inexorably rise, with each new generation paying several times more than the last one. At least in theory, workers eventually might be contributing their entire salaries to provide pensions and health care for their parents.

One can't help but feel some sympathy for anyone assigned the responsibility for straightening out this mess. What do you do? Institute a mass euthanasia campaign, given that one-third of all Medicare expenses occur in the last 12 months of life? Declare a moratorium on research and development of expensive new medical technology, since a cure for cancer, the artificial heart, and longer life spans will inevitably result in more hospital visits and an increase in lingering, expensive deaths? Slash benefits for the elderly, thereby ensuring political obliteration at the hands of 29 million Medicare recipients?

Indeed, just as the Pentagon exploits our natural fear of "too little security," the medical-industrial complex has made even the smallest reforms next to impossible by exploiting our fear of "too little health care." And in many respects, the combined clout of the elderly, physicians, insurance companies, hospitals, and health care bureaucrats would make the typical defense contractor drool with envy. No wonder congressmen would rather spend their time debating Lebanon.

Unfortunately, procrastination will only make the problem more intractable. And even if you think runaway medical costs can be tamed only by drafting the nation's over-paid doctors into a publicly controlled national health system (see "Radical Surgery: American Medicine's Last Hope," February 1983), that day is still some time

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off. The immediate problem is how to restructure Medicare in a way that spreads the sacrifice fairly among doctors, beneficiaries, and taxpayers while remaining true to our obligations to the elderly. It's time to stop whining about our predicament and get off the dime.

More specifically, it's time to cut a deal. The contract that society now has in force with the elderly for health care must be renegotiated. We have no other choice. Yet as any negotiator knows, you usually don't get something you want without giving the other side something it wants. The elderly can afford to give something up—the 1980 census reveals they are now better off on the average than the rest of America—but it will take some hard and savvy bargaining to convince them to do so.

Fortunately, the possibility for such a deal already exists. It should be clear what the workers now paying the elderly's Medicare bills want: a guarantee that the system will still be around when they need it. And what do the elderly really want? Something that Medicare implicitly promised, but has yet to deliver: an assurance that a serious illness won't lead to financial catastrophe.

Before examining this trade in detail, it's important to understand why the elderly are as upset about Medicare as those of us who are paying for it. Last year, Medicare paid just 44 percent of the medical bills for the nation's elderly. You read that figure right. Medicare, which was intended to provide protection against acute, short-term illnesses, pays almost nothing for such common medical expenses as prescription drugs, dental care, and eyeglasses. Yet even as hospital insurance, Medicare is stingier than most of the private insurance plans that cover employees and their families. For the first 60 days in the hospital the Medicare patient pays only a $304 deductible. But for the next 30 days the deductible is $76 a day, rising to $152 a day for the 60 days following that. After 150 days, the enrollee pays everything. Whether he has mild pneumonia or needs an expensive heart operation, the hospitalized patient has little to worry about if he's quickly out the door. Financial catastrophe looms if he lapses into a year-long coma.

Those too poor to pay the deductibles can qualify for Medicaid, which now covers 3 million elderly. There's also "medigap" insurance, which is now an $8 billion-a-year industry whose policies are hawked in television and newspaper ads by the likes of Harry Morgan (late of *M*A*S*H*), Art Linkletter, and Danny Thomas. Still, over 10 million elderly have no extra insurance, and even among those who do, the fear of being wiped out by a long illness weighs heavily on their minds. After working hard for 40 years, many middle-class retirees are still reluctant to take the trip abroad that they've always dreamed about. What would they do if one of them suddenly fell very ill? Others are so anxious that they buy three or four medigap policies that uselessly duplicate each other.

For hospital care, however, the chances of true financial catastrophe are remote; fewer than one-half of 1 percent of the elderly have out-of-pocket medical expenses of more than $4,000 a year. A far bigger worry for the old doesn't involve the hospital at all—it involves the nursing home.

To be even more specific, millions of the elderly fear having to endure the nightmarish experience that befell David B. Gordon and his wife. In a "My Turn" column that appeared last year in *Newsweek*, Gordon described how his wife's 15-year-long bout with Parkinson's disease had finally forced her to enter a nursing home. Before she did so, the Gordons enjoyed better financial circumstances than all but the top 10 percent of America's households. Along with his $20,000 pension as a retired New York City policeman came $9,400 a year in Social Security benefits and $12,000 from dividends and interest.

Even so, to pay for nursing home care that cost $38,000 a year, Mrs. Gordon was finally forced to go on Medicaid. To become eligible for Medicaid, the Gordons had to "spend down" until their annual income was $5,200 and their assets totalled less than $2,000. Mr. Gordon's pension was attached by the state to defray its Medicaid expenses; the Gordons were also forced to liquidate their savings account and the stocks they had accumulated. When his accountant looked at the situation, he advised Gordon that the sensible thing to do was to get a divorce. "But why should people who have been together as long as we have, and who feel about each other the way we do, be forced to get a divorce?" Gordon asked.

Why indeed? But that's how the system now works. Medicare will pay for nursing home care only in a few, special circumstances; last year it contributed just $400 million of the $20 billion that Americans spent on long-term care for the elderly. Medigap insurance covers even less, contributing less than 1 percent of the total bill, even though nearly 60 percent of the elderly have policies that promise some nursing home care. Many don't read the fine print; the policies usually cover only care that qualifies for Medicare.

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Photo courtesy of Pitt Photo Library

The nation's 1.4 million nursing home patients have only two other choices. The first is to pay their own way, which most do upon entering a nursing home. But with nursing home care averaging about $20,000 a year—and for more specialized care it's frequently double that—the financial cushion built up over a lifetime can vanish within a year.

The second choice is to follow the Gordons's path, liquidating one's remaining assets to qualify for Medicaid. Eligibility rules differ from state to state, but in most cases, the assets of the surviving spouse are included in this "drawing down" process, which often leaves an elderly couple with little more except their house and a small stipend that puts them just above the poverty line. Should the surviving spouse die, or if the patient is already single, the home can be attached for sale after death. (The Reagan administration recently proposed that houses be allowed to be sold *before* death if a physician certifies that the elderly person will not be able to return home.)

The vast majority of nursing home patients enter as private payers; within a year, most of them transfer to Medicaid. Indeed, about half the nation's nursing home patients—average age 81, three-quarters of whom are women—end up on Medicaid, a program originally intended to provide health care for the nonelderly poor that now spends 40 percent of its money on nursing home care. The bill last year was over $12 billion.

"Paying for a nursing home is of paramount—*paramount*—concern for the elderly, " observes Tom Higgins, who oversees the Medicaid program as health officer for Multnomah County in Portland, Oregon. "It's their Great Fear. The elderly usually don't talk about it until the subject comes up, but when it does, it unleashes the floodgates. It's not so much the old fear of 'I'm going to the snake pits, I'll be abused. ' Rather, it's 'I'll be financially ruined, I'll have to depend on my children and maybe go on welfare.' " Higgins adds, "To most elderly, a cut in Social Security really isn't a life or death proposition. This is."

In effect, the current system of health care for the elderly has created two classes of citizens, divided largely on the circumstances of how they will die. Consider a 73-year-old man with assets of $200,000 who succumbs in the hospital to a massive heart attack following several operations. Though Medicare may have spent $100,000 on his behalf, his family will experience little financial burden. The modest estate he worked hard during his life to amass will pass largely intact to his surviving wife and children.

Now consider a 73-year-old woman with identical assets who falls victim to Alzheimer's disease, a progressive deterioration of the mental faculties that can cause forgetfulness, sudden personality changes, and, in extreme cases, bizarre and violent behavior. Nearly half the nation's nursing home patients are afflicted with this disease, which affects one in five of all those who reach 80 years of age. If this woman's death comes ten years after she enters the nursing home, she will have exhausted her entire estate. Her spouse, having endured the anguish of watching her suffer the ravages of this disease, will have been reduced to penury. If the woman is widowed—and nearly three-quarters of nursing home patients are single—Medicaid officials may have already put a lien on her home. She will die

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with the knowledge that she has left nothing to pass on to her family.

"With Medicare we set up a system for old people that assumed they were 40 years old," observes Dr. Robert N. Butler, former head of the National Institute on Aging. "It often has little to do with the disorders old people really suffer."

There are several major reasons for the government's glaring failure to protect the aged against the potentially catastrophic costs of nursing home care. One is the prejudice respectable opinion holds against nursing homes, similar to the 19th-century attitude that hospitals were places of sickness and death that should be avoided whenever possible. Cheryl Beversdorf of the American Health Care Association, which represents 8,000 non-profit and for-profit nursing homes, has an obvious bias as a lobbyist, but she makes a related point that's echoed by many others familiar with the industry: "Nursing homes conjure up so many negatives—sickness, for-profit, death, guilt—that there's a real reluctance to even think about them."

A second reason relates to the politics of national health policy. One of the major compromises congressional sponsors felt was necessary to ensure passage of Medicare in 1965 was to limit the program largely to hospital-based care. And during the early 1970s, when some form of national health insurance still seemed likely, many liberals argued against catastrophic protection for fear it would cool the ardor for a much broader program. Unions, for example, fought actively against catastrophic coverage, in part out of a commitment to national health insurance but influenced also, one suspects, by the fact that their own members already enjoyed catastrophic protection through employer health plans. Recounting the bitter fight over national health insurance between President Carter and Senator Ted Kennedy, former HEW Secretary Joe Califano in his book *Governing America* describes (sympathetically), "the fear of the labor movement that providing relief to the middle classes for catastrophic illness costs would take the political pressure off providing health care for the poor."

There are also some legitimate concerns about the potential cost and appropriateness of nursing home care. Fiscal conservatives fear that such an extension would prompt a sudden increase in demand for care, much as the 1972 decision to extend Medicare to kidney dialysis patients has prompted a 1,000 percent increase in the program's costs. On the other hand, many liberals fear that inclusion would stifle the development of alternatives such as home care that are often cheaper, not to mention preferred by the elderly. Still, some heartening developments in recent years suggest that they can be overcome. Caught between reduced revenues and soaring Medicaid costs, many states are now making a virtue out of necessity by giving some long-overdue attention to nursing home alternatives. Another part of their strategy is also one the federal government could easily emulate: a moratorium on the construction of new nursing homes.

Let's Make A Deal

What the elderly want and need should now be clear: an assurance that their illnesses, regardless of their cause, won't impoverish them or their family. But with Medicare headed toward bankruptcy, how can we possibly afford yet another costly government benefit?

Here's where the political horse-trading comes in. The elderly should be offered a new Medicare benefit that will cover most of their long-term care needs. To help keep costs reasonable and prevent abuse of the system, the patient should pay for the first 90 days of care, unless he or she voluntarily submits to a means test. The government should also screen all patients to determine if appropriate care could be provided elsewhere. This in itself would help to reduce costs; numerous studies suggest that up to a third of the nation's nursing home patients could receive adequate care elsewhere.

The state and federal governments already pay half of all nursing home costs; for Medicare to assume this responsibility would add about $15 billion to federal spending. But now comes the other half of the bargain. In exchange for this protection, the elderly must bear the primary responsibility for putting the entire Medicare system back on a sound footing.

Of course, representatives of senior citizen groups likely will protest any sort of deal. "We don't think the elderly should have to give anything up," says Janet Myder of the National Council of Senior Citizens. But are the elderly so greedy that they will ignore the burden the current Medicare system puts on younger workers, and the false promise if offers them? One would hope not. In fact, some of the elderly already recognize what has happened; Loren Dunton, 64, recently observed in *The New York Times* that "As a father and grandfather, I am guilt-ridden to realize that young people will be paying for

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benefits I never expected and never actually earned." Moreover, a major reason any talk of tinkering with Social Security or Medicare now prompts the old to dash off angry letters to Congress is that they feel they may need everything they have someday to pay for a nursing home.

In making the elderly help pay for this new program as well as rescue Medicare, a basic principle of equity should be followed: those of means should help those in need. Start with the most modest change: the elimination of the income tax deduction now given to everyone over 65, regardless of income. Abolishing this loophole, which benefits most those with the highest incomes, will raise $2.4 billion a year. The best argument for this move is that one-third of the 1980 tax returns with adjusted gross incomes exceeding $1 million claimed the exemption.

A second source of income lies in raising the premiums for Medicare Part B and increasing the deductibles for hospital care. The former is an insurance program that 99 percent of all Medicare enrollees purchase for $12.20 a month. One of the best buys in the insurance business, part B covers up to 80 percent of physicians' fees. Premiums pay for only 25 percent of benefits; the federal government subsidizes the rest at an annual cost of $14 billion. As for the hospital deductible, beneficiaries now pay $304 the first day but nothing for the next 59, an arrangement tailor-made for doctors who don't want their decisions about hospitalization questioned by their patients.

Doubling the premium on part B and raising the deductible to $1,000 over two weeks would generate over $10 billion a year. Some will object that this approach will hurt the poor. But nearly 33 percent of all Medicare recipients live in households with an annual income above $20,000, and they pay an average of less than 5 percent of that for medical care. Another third who are in the $10,000 to $20,000 bracket pay an average of less than 10 percent. A means test can be instituted to help the truly needy meet these increases. As for protecting the elderly against catastrophic *hospital* expenses, the government should simply get into the medigap insurance business. Lynn Ethridge and Jeffrey Merrill of Georgetown's Center for Health Policy Studies have calculated that government-administered insurance covering all deductibles past the 60th day would cost each beneficiary only $3.25 a month.

These changes will almost cover the cost of the new program. To make up the difference, plus raise a substantial sum to go toward more general Medicare expenses, the government should turn to a third source: the elderly's wealth. Conservatively estimating that the old have assets averaging about $150,000 (most of this in their homes), the 2 million Americans over 65 who die each year leave behind estates valued at $300 billion. A modest tax on these estates—say 10 percent—could raise $30 billion a year.

Those who reflexively bristle at such a "Pay as You Go" system should give it some more thought. If the dying know that their estate will not be wiped out by catastrophic expenses, why should they balk at a 10 percent tax bite? Besides, isn't a modest tax spread out among all the elderly better than the current version of medical roulette, whereby most estates escape intact while an unlucky few (and their families) watch helplessly as everything is lost to Medicaid?

This scheme admittedly runs contrary to Congress's recent decision to all but abolish the inheritance tax, a move prompted in part by the argument that the tax placed an onerous burden on the surviving family members. Yet it's exactly these people—future beneficiaries of Medicare and catastrophic coverage—who will benefit most from this new tax. The elderly have now received far more in Medicare than they contribute, endangering the whole program; this will redress that balance in the least painful way.

This approach also has a certain rough justice to it. The wealthy dead will help keep the friends and relatives they've left behind free from the terrors of catastrophic illness. A millionaire like Claude Pepper, when he finally passes into the great beyond, can do so with the sure knowledge that he's doing one more good deed for the elderly whose cause he now champions so fiercely.

Ultimately, there should be no distinction between Social Security, Medicare, unemployment, and welfare; all should be part of one system that protects people against true need. Today we have a system where elderly millionaires jet between their Florida condominiums and Manhattan townhouses, and get generous pensions and heavily subsidized medical care; meanwhile, poor mothers with sick children are labeled freeloaders just for trying to see a doctor. But changing our whole approach to social welfare won't happen overnight. For now, the crisis in Medicare is real. But this crisis also affords a rare opportunity to renegotiate what has proved an unsatisfactory bargain for both main parties. Both sides will have to give something up. But as with the best of bargains, in the end both sides can gain something that's of much greater importance. ■

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Illustration by Matt Wuerker

SELF-LOVE AND LIBEL

BY ROD SMOLLA

In the tumultuous early days of the Republic, Thomas Jefferson received more than his share of criticism in the press. The *New York Commercial Advertiser*, for example, accused Jefferson of being "a spendthrift, a libertine. . . and an Atheist," while the *New England Palladium* called Jefferson "a coward, a calumniator, a plagiarist," and "a tame, spiritless animal." Yet in his second inaugural address, the president took it all with poise. "These abuses might have been corrected by the wholesome punishments provided by the laws," he told the young nation. "But public duties more urgent press on the time of public servants, and the offenders have therefore been left to find their punishment in the public indignation."

Of course, Jefferson had more extreme legal means than libel litigation with which to harass his enemies; for instance, after the damaging item appeared in the *Palladium*, the president's allies in the Massachusetts legislature tried to revoke the editors' printing contract. But at least the sage of Monticello had the right idea about lawsuits: they really weren't the best use of his time. Unfortunately, this is a sentiment rarely echoed among prominent citizens today. The list of recent libel plaintiffs reads like a random sampling from *Who's Who*: Ralph Nader, Norman Mailer, Carol Burnett, Wayne Newton, William Westmoreland, and Mobil Oil President William Tavoulareas, among others. And the trend is by no means limited to the upper reaches of society. In Richmond, Virginia, a schoolteacher sued a newspaper that quoted complaints from students and teachers about her teaching. In tiny Takoma Park, Maryland, a bar called the Whistle Stop sued a local citizen's group for calling it "shady." No slight seems too minor for legal retaliation these days, and juries seem more than willing to reward libel plaintiffs handsomely: the Richmond teacher, for example, was awarded $1 million.

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To appreciate how much libel litigation has altered our society in recent years, consider this curiously out-of-date observation made by David Reisman, the noted legal scholar and sociologist, back in far-off 1942:

"The American attitude toward reputation is unique. In Europe, where precapitalist concepts of honor, family, and privacy survive, reputation is a weighty matter not only for the remnants of nobility who still fight duels to protect it, but for all the middle groups who flood the courts with petty slander litigations. . . But where tradition is capitalistic rather than feudalistic, reputation is only an asset, 'good will' not an attribute to be sought after for its intrinsic value. And in the United States these business attitudes have colored social relations. The law of libel is consequently unimportant."

Needless to say, this idyllic world where actions spoke louder than words bears little resemblance to the world we live in today. No longer do we strike the rough and ready posture of the rugged entrepreneur, less concerned about defending his reputation than in creating it; nowadays, we are inclined to take ourselves and that which is said about us very seriously. And rather than react to criticism through a verbal counterattack—or a swift punch in the nose—Americans have increasingly sought refuge and vindication through litigation.

This is all the more surprising when you consider that not too long ago, it looked as though changes in libel law had put libel suits on the road to extinction. The turning point came with the landmark 1964 case of *The New York Times vs. Sullivan*, in which the Supreme Court ruled for the first time that libel actions could not be permitted to impinge upon First Amendment guarantees of free speech. Although most of us have come to believe this as a matter of course today, before *Times vs. Sullivan* the Court had never looked at libel in the light of the First Amendment, and the libel laws of many states were stacked heavily against the press. By the pre-*Sullivan* standard, a publication was "libelous per se" in its treatment of a public official if it tended to injure him in his public office. Minor deviations from the literal truth were enough to justify libel action, and good motives were no excuse. After *Sullivan*, however, a public official could prevail in a libel action only by showing "actual malice," which the law defines as a knowledge of falsity or a reckless disregard for the truth.

In the wake of the *Sullivan* decision, many learned commentators predicted that libel cases would soon disappear; at the very least, the volume of libel cases could be expected to thin out. But while no comprehensive surveys comparing libel litigation before and after *Sullivan* have ever been compiled, my own informal research indicates that in the two decades since *Sullivan*, libel litigation has not only held steady in many states, but actually risen in others. In New York, for example, the number of libel decisions handed down by the highest court has risen from 37 in the decade before *Sullivan* to 57 in the period since 1974— an increase of over 60 percent. Meanwhile, the libel insurance business is booming: the Mutual Insurance Company of Washington, D.C., which insured roughly 1,000 companies between 1963 and 1966, now insures nearly 6,000.

Even more significant is the size of the awards that juries are making. Before 1962, there had never been a million-dollar libel verdict. From 1976 to 1980 there was only one. In the period from 1980 to 1982, however, there were nine. Even when you adjust for inflation, and acknowledge that most of these awards are modified on appeal, it's hard not to be struck by the growing sympathy juries are showing to libel plaintiffs.

What explains the persistence of libel suits in the wake of the decision that was supposed to make them harder to win? There are two major reasons libel suits continue to be filed. The more immediate reason is that the Court has over the years chipped away at the principle of *The New York Times vs. Sullivan*. The broader reason is that something has gone wrong with the American character: increasingly, we have become more concerned with resting on our laurels than with garnering them.

SULLIVAN'S TRAVELS

Passionate defenders of the First Amendment are correct to view *Times vs. Sullivan* as a watershed case that sought to restrict libel litigation on the part of public figures to those instances where the press had been genuinely reckless. But in a sense *Sullivan* was really a civil rights decision. *The New York Times* had carried an advertisement by civil rights leaders in Alabama claiming that "Southern Violators" had harassed Dr. Martin Luther King, arrested him seven times, and had persecuted black protestors demonstrating on the Capitol steps in Montgomery. Sullivan, an elected Montgomery commissioner, claimed that the advertisement damaged his reputation and was inaccurate in many

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of its details: for example, King had not been arrested seven times, but four. Despite the triviality of this and other inaccuracies, an Alabama jury awarded Sullivan $500,000 against the *New York Times*, an award affirmed by the Alabama Supreme Court. Other Alabama officials were waiting in line to sue the *Times* when the United States Supreme Court decided to review the case. When the Court overturned the decisions of the Alabama courts, a large part of traditional libel law was rendered obsolete.

Would the outcome have been the same if Commissioner Sullivan had libeled the civil rights activists, and if it had been they who had collected in the Alabama courts? Quite possibly, it would not. Politics had a lot to do with the making of the *Sullivan* decision, and politics has played its role in unmaking *Sullivan* as well.

The forced retreat began in the mid-seventies under the increasingly conservative Burger Court. In decisons that followed the Sullivan case, the Supreme Court pushed the public figure argument to extremes that it would later regret; the highwater mark in granting latitude to the press had come in a 1971 case, *Rosenbloom vs. Metromedia*, in which the Court held for a Philadelphia news radio station that had covered a police raid on an alleged pornography distributor, even though it was clear that he wasn't a public official. (The premise was that the *subject matter* of the investigation involved a matter of public interest, even if the person defamed could not be called a public figure.) Now, under a chief justice who seemed to share with his patron, Richard Nixon, a distaste for the liberal press, the Supreme Court began to offer greater access to libel plaintiffs.

The Court first reversed itself in 1974, deciding in *Gertz vs. Robert Welch, Inc.* that the public or private status of the person defamed, rather than the degree of public interest in the story itself, should determine whether the *Sullivan* protection would apply. Then came the 1976 case of *Time Inc. vs. Firestone*, in which the Court narrowed the definition of a public figure. The decision involved *Time*'s coverage of the divorce of Mary Alice Firestone from Russell Firestone, the scion of the wealthy tire-manufacturing family. The Supreme Court ruled that Mrs. Firestone was not a public figure and that *Time* was thus not entitled to the protection of the *Sullivan* standard—even though she had held several press conferences during the course of her divorce litigation, and subscribed to a press clipping service to chronicle her media exposure.

The Court then pried open the door to libel litigation a little wider by exploring the subtleties of "actual malice" in *Herbert vs. Lando*, a case brought in 1979 against "60 Minutes." The critical issue in the case was whether the internal thought processes and private conversations of reporters and editors—in other words, the evidence for proof of "reckless disregard" for the truth—were privileged from disclosure under the First Amendment. The Court ruled that they were not privileged, and a new legal battlefield opened up.

VARICOSE VANITY

The Burger Court's narrowing of the definition of a public figure and its expansion of the means for determining "actual malice" have helped keep the libel market bullish. But the Court's decisions are only part of the explanation; for the rest of it, we need to set aside the casebooks and take a look at American culture.

As David Reisman noted 40 years ago, a capitalistic society should regard reputation of no intrinsic value. Zecharia Chafee, a First Amendment scholar, expanded upon this notion a few years later with the observation, "a libeled American prefers to vindicate his reputation by steadily pushing forward his career, and not by hiring a lawyer to talk in a courtroom." Clearly, this is not the way things are in the America of 1983. What has gone wrong?

An answer might be found in the much-observed narcissism of the present era. We've all observed the increasing selfishness that has been the hallmark of the seventies and eighties. But while we bemoan the apathy of the Me Generation and the greediness of special-interest groups, we may not recognize the legal implications of self-centeredness: the more concerned we become about ourselves, the more thin-skinned we become.

This malady is particularly acute at the highest level of American life—the very level that "public figures" are likely to inhabit. With the rise of the corporation in the fifties, slavishly loyal "organization men" evolved. But as Nicholas Lemann recently pointed out in this magazine ("Community Without Conformity," September 1983), corporations subsequently created a highly mobile class of professionals who place their own advancement before that of whatever company they happen to be working for at the moment. In this fast-moving world, image counts for more than it ever has before.

Perhaps the best illustration of this is the rise

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of the image consultant. According to Jacqueline Thompson, editor of *Thompson's Directory of Personal Image Consultants*, an image consultant can help you "lower the pitch of your voice, remove your accent, correct your 'body language,' modify your unacceptable behavior, eliminate your negative self-perception, select your wardrobe, restyle your hair, and teach you how to speak off the cuff or read a speech without putting your audience to sleep." The idea is that in the volatile world of corporate promotion and headhunting, such superficialities will make the crucial difference between success and failure. If executives are this worried about their physical image, it only stands to reason that they feel much deeper anxiety about their media image.

It is interesting to compare this fretfulness about "image" with the attitude of, say, the robber barons. Take Jay Gould, one of the great stock speculators and manipulators of the 19th century. Gould, according to one biographer, believed that men of business should "keep a stiff upper lip when their critics yowled." To be sure, Gould had a hard time living up to that stoic ideal, but when he finally lost his patience with one of his harshest critics, the *New York World,* he went not to court but to the bank, buying out the *World* in order to silence it.

Or take John D. Rockefeller, the man who built Standard Oil. Rockefeller's position toward the press was simple: "You may kick me and abuse me, provided that you will let me have my own way." But a very different attitude seemed to prevail when William Tavoulareas, president of Mobil Oil, sued *The Washington Post* for having written that he "set up" his son in the oil tanker business. One can't, of course, say for certain that a John D. Rockefeller would have sat idly by while the press made a similar accusation about him, but the fact that Rockefeller owned his own company did allow him to assume an indifference that a William Tavoulareas, who works for a corporation, could ill afford. Tavoulareas has a career to protect, and while it is impossible to know for sure what his exact motives were in bringing suit, it's hard to believe that "image" was far from his mind. If Tavoulareas and his company didn't care about image, why would Mobil bother to regularly take out Op-Ed ads trumpeting its support for public television and the Museum of Modern Art?

This is not to say that the press is a blameless party to all this image-mongering. A great part of the problem with our reputation-obsessed society is that we place the press in excessively high regard, with the result that the press has grown arrogant and, in some instances, sloppy. Back in the days when there was greater competition among newspapers, no single editorial voice provided the last word, and we therefore regarded each news source with greater skepticism. Why believe the *New York World* when it might be flatly contradicted by the *Herald-Tribune*? Competition also had the beneficial effect of keeping reporters' salaries low, which ensured that they could never attain complete respectability; reporters tended to be less well educated and more raffish, and could thus be regarded by prominent citizens as unworthy adversaries—who cared what a scoundrel thought? But today, newspapers tend to be extremely profitable monopolies that can afford to hire from the ranks of the college-educated, upper middle class, and TV news is an even more profitable oligopoly. The press has accordingly come to attain a more oracular tone: our press organs are fully convinced that they dispense not merely news but Truth, and have managed to convince a few others too.

Given this newfound arrogance, it's easy to see the attraction of libel action: it's a way to take on the big boys when they start to act like bullies. But while a plaintiff certainly deserves his day in court when he's been the victim of a false and hurtful story and has no other means to make his case, too few of today's libel plaintiffs really fit that description. Take William Tavoulareas. In the course of his libel suit, it came out that he had asked Ben Bradlee after the damaging article appeared in the *Post*, "Haven't you ever done anything for your son?" Tavoulareas was not arguing in this case that his son's success in the shipping business had nothing to do with the father's position; clearly, the fact that Peter Tavoulareas was getting business from Mobil was no coincidence, and clearly William Tavoulareas would not have kept completely out of any decision that had so great an impact on both his family and his company. What Tavoulareas was arguing was along narrower lines: the *Post* was wrong to use the words "set up his son" in its description of Tavoulareas's actions, and wrong to otherwise suggest that Tavoulareas had not observed the various rules Mobil had in place about conflict of interest. The real question raised, in an admittedly clumsy way, by the *Post* articles—the legitimacy of corporate nepotism—was never debated.

This is a crucial problem with libel litigation: the real issue tends to get lost at the expense of

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legal niceties. A similar situation arose when Ralph Nader sued columnist Ralph deToledano after deToledano wrote that Senator Abraham Ribicoff had demonstrated "conclusively that Nader falsified and distorted evidence" to make his case against the Corvair. Here, the question turned not on whether Nader was right but on whether Ribicoff *thought* Nader was right in his criticism of the Corvair. In both cases, the plaintiffs and society would have been better served had the victims taken advantage of their access to the media; Ralph Nader ought to have held a press conference reviewing the evidence on the Corvair to disprove deToledano's allegations, while Tavoulareas ought to have had the imagination to cook up a good corporate Mobil ad—perhaps one that raised the question, "What did Katherine Graham do for Donnie?"

FEUDAL PERFORMANCE

When we think of the kind of society we aspire to be—a society that embodies the best aspect of the capitalism that David Reisman described back in 1942—it is clear that libel suits should be far less commonplace than they are today. After all, in a truly productive society, men are supposed to be judged not by reputation but by action, and where entrepreneurial risks are the norm no one can rest on his laurels for long. In a healthy society, we would all rise and fall with much greater regularity; why then, the need to pay so much attention to reputation, a fickle barometer of fickle fortunes?

Ours is clearly not this kind of society. We tend to rise and fall not on the basis of performance but on the basis of credentials, connections, and various other assets that may bear little relation to our ability to perform a particular job, but nevertheless provide the intangible ingredients that make our reputations. Even those of us who don't speak out against these obstacles to a fair allocation of social positions harbor a vague suspicion that many of the people who have found their way to the top didn't get there on merit; hence the ready market for both honest criticism and slander of public figures, and hence the compulsion to file a lawsuit every time a public figure is criticized. Like the effete aristocracy of the Old World, we have come to place a greater emphasis on defending our good name than on demonstrating our goodness; and like those feudal societies, we may someday wake up to find that our obsession with such rituals has rendered us irrelevant and quaint. ■

THE WASHINGTON MONTHLY

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Owen's profile of Anne Wexler, a former antiwar activist and Carter White House member who is now a leading partner in her own lobbying firm, is an insightful study of how an idealist can set aside her ideals one by one until one day she awakens to find herself a broker for the very interests she once opposed. Though this Washington story is a sadly familiar one, rarely is it documented so keenly.

Peter Elkind
Texas Monthly

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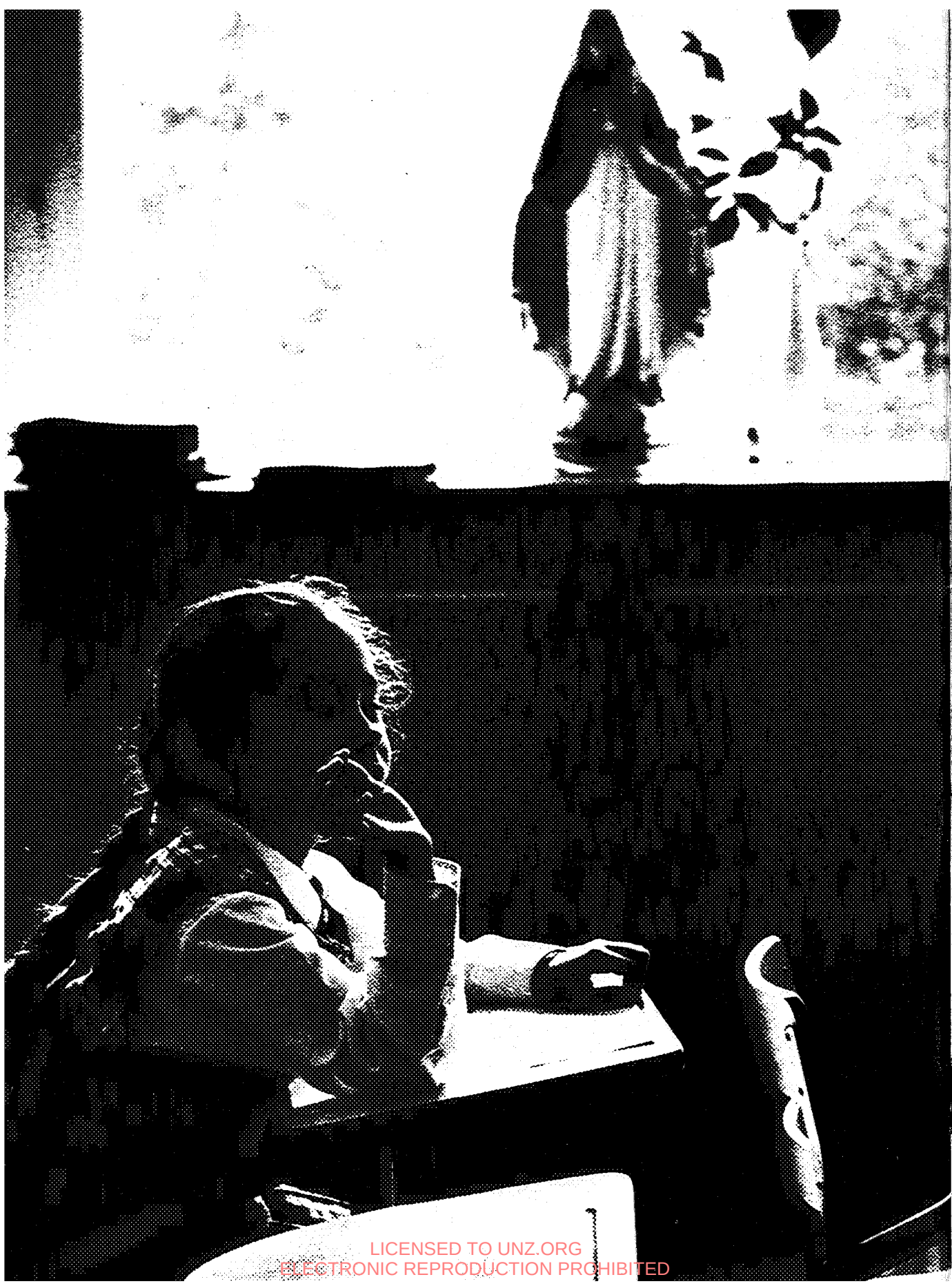

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LESSONS FROM AMERICA'S BEST·RUN SCHOOLS·

BY DANIELLE L. SCHULTZ

The sorry plight of America's public schools is suddenly making the headlines, with politicians of every ideological stripe offering their various cure-alls—hefty pay hikes for teachers, merit pay, stiffer academic standards, tuition tax credits, more computers. Almost as many national commissions have weighed in on the subject as the Democratic party had presidential candidates this year courting the endorsement of the National Education Association.

Yet for all the controversy, most of us would agree on what a good school should look like. Teachers would be satisfied, competent, and dedicated. Administrators would oversee an efficient, streamlined bureaucracy. Students would be well-behaved, alert, and hard-working. Parents would actively participate as volunteers in school activities. Achievement and excellence at all levels would be rewarded. Most important, these schools would provide the kind of education that would allow children to overcome the consequences of being victimized by broken homes, racial prejudice, and poverty.

As it happens, such schools already exist, many of them in the toughest neighborhoods of urban America. I've visited many right here in Washington, D.C., a city whose public schools may have been what the National Commission on Excellence had in mind when it likened our public education system to an act of war by a foreign power. Walk into these other schools and the first thing you notice is how clean they are; not brand-new clean, as many of the buildings are quite old, but free of graffiti and of junk in the halls. There are no guards, no chains on the doors, no cigarette smoke coming out of the bathrooms. Students aren't wandering aimlessly in the hallways; they're attentively sitting at their desks as enthusiastic teachers give their lessons.

Skeptical? No doubt you'll be even more skeptical when I tell you that these schools operate on about one-quarter the money per pupil as most of the other schools in Washington. But there's a good explanation for all these traits: these schools aren't run by the local school board and administered by cadres of education bureaucrats. They're run by the Catholic Church.

Show the slightest hint of enthusiasm for parochial schools in the company of most people who consider themselves friends of public education and you'll usually get two immediate reactions. The first is that you must be a champion of school prayer and tuition tax credits. The second is that Catholic schools are, well, *different.* They can take the cream of the crop. They can expel unruly students. They can get nuns to teach at outrageously low salaries. They can lean on parents for voluntary contributions and help in ensuring that homework gets done. Perhaps the most enduring stereotype is that parochial schools are filled with authoritarian nuns and priests who induce large amounts of guilt on mat-

Danielle L. Schultz is a Washington, D.C., writer.

Photo courtesy of National Catholic Educational Association

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ters ranging from sex to politics. In short, Catholic schools have nothing in common with their public counterparts—in fact, they're a model to be avoided.

Those who've spent time in parochial schools, either as students or observers, know there's some truth to these impressions. And parochial schools enjoy something public schools obviously never can: parents who are so concerned about their child's education that they're willing to shell out their hard-earned cash to pay for it.

What *isn't* true is that parochial schools are irrelevant to the current plight of our public schools. Just the opposite is true. Those who take the time to visit parochial schools will discover how they've managed to avoid many of the problems our public schools have succumbed to. They'd also learn that when it comes to reversing the rising tide of mediocrity in public education—to use just one well-worn metaphor bandied about lately—parochial schools shouldn't be ignored. They should be imitated.

PAROCHIAL MYTHS

Let's take a closer look at the objections raised by apologists for public schools whenever the subject of parochial schools comes up.

Catholic schools are just for Catholics

Here in Washington, the majority of parochial school students aren't even Catholic. The exact number of non-Catholics is 51 percent. Most students are also black. One parish school in Anacostia, one of Washington's poorest neighborhoods, has a student body that's 72 percent non-Catholic. St. Gabriel's, in a working-class black neighborhood, is 92 percent non-Catholic. As Monsignor Spiers, who keeps statistics for the Washington archdiocese, observes, "Parochial schools have become the poor man's academy."

Nationally, the bulk of the nation's three million parochial school students are still Catholic, but a steadily increasing number of non-Catholic parents, especially those in the inner city, are turning to these schools in a desperate search for educational quality. One of those parents is Ruby Bridges, who as a six-year-old braved the violent threats of white racists in 1960 to become the first black to enroll in New Orleans's then-segregated public school system. Upset about the poor education her three children were receiving in the schools she'd worked so hard to integrate, Bridges placed them in parochial schools.

Catholic school teachers are nuns who work for practically nothing

In Washington, as in the rest of the country, only 25 percent of the teachers in archdiocese schools are nuns. (The nuns in the Washington Archdiocese make about $5,600 a year, but their housing is provided free by the parish.) Lay teachers in the elementary school typically earn about $14,000 a year, while high school teachers average around $20,000. This compares with an average of $23,000 for Washington's public school teachers, who are among the highest paid in the country.

Catholic schools take only the cream of the crop

It's an exaggeration to say parochial schools will admit everyone, but it isn't much of one. Catholic school admissions tests are nowhere near as rigorous as one might think. For example, at De Matha, a well-regarded, all-male high school in the Maryland suburbs of Washington, only those scoring below a sixth-grade level are turned away. At Washington's Sacred Heart School, Sister Loretta Finnerty told me, "We hardly ever screen a kid out because of academics." The purpose of admissions testing, she says, is to "have some way to place them in a grade, because what grade they were in the public school usually isn't reliable."

Catholic schools expel their problems

Among the dozens of teachers and administrators I interviewed, the belief was nearly universal that even students who were troublemakers in public school aren't a problem once they're exposed to the Catholic school environment. Experience seems to bear this out. One priest with whom I spoke had expelled only one student in 25 years (for striking a teacher). De Matha, with 930 male students, expels about four or five per year. Similar patterns are found elsewhere. A study headed by Father Timothy O'Brien of Marquette University of 63 elementary parochial schools found that 61 percent of the schools expelled no students during the 1979 school year. Most of the remaining 39 percent expelled only one student. The study also

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discovered that more children with academic and discipline problems were transferred *from* the public schools *to* the Catholic schools than the other way around.

The handicapped also are not strangers to the parochial schools; in fact, one administrator says that moderately handicapped students are often referred to them by the Washington public schools because of the quieter atmosphere. As for the severely and multiply handicapped, most Catholic schools are just too small to meet their special needs. But those public school supporters who invariably reply, "We have to take everybody," would be well advised to take a closer look at their own backyards. Here in Washington, about 1,500 of the school system's 2,000 handicapped children attend regular public schools. The remaining 500—the most severely handicapped—are contracted out to about 20 private groups. One of the largest contractors, with 84 students, is the Kennedy Institute, which has close ties to—who else?—the Catholic Church.

Catholic schools provide an inferior education

There are few studies that directly compare the achievement of students in Catholic and public schools; even sociologists apparently have been reluctant to venture into the hallways of parochial schools. But the studies that do exist suggest that students in parochial schools do just as well—if not better—than those in public schools. The most exhaustive examination, released in 1982, tracked students in 893 public and 212 private high schools. Conducted by a team of sociologists led by the University of Chicago's James Coleman, the study adjusted for the different backgrounds of students and concluded that a child who attended a typical parochial school scored higher on achievement tests than he or she would have while attending a public high school. For minority students, the results were even more heartening; while their achievement gap with whites actually widened between the tenth and 12th grades in public school, it narrowed considerably in parochial schools. This was accomplished, Coleman found, with teachers who were paid substantially less than those in public schools and in classrooms that, on average, had *more* students.

There has been heated debate over the study, much of it over the proper use of such sociological devices as least-square regression analyses and standard deviations. But if one applies a more conventional yardstick—common sense—any other result would be illogical. The study's most important finding was that Catholic schools demand far more of their students—and they get more. Coleman found, for example, that students in parochial schools are 50 percent more likely to have more than one hour of homework a night. And only 34 percent of public school students are enrolled in an academic program, compared to 70 percent in parochial schools.

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For parents, the education Catholic schools provide clearly is their most important trait. That explains why parents are so fiercely loyal to these schools despite the hardships many must endure to enroll their children. O'Brien's study, for example, found that a third of the children in his sample came from single-parent families, and 15 percent came from families who lived below the poverty line. The major reason parents gave for sending their children to these inner-city parochial schools was not religion but the quality of education. And, as anyone who has visited a Catholic school lately will attest, the curriculum of parochial schools—which usually includes sex education as well as English literature—is anything but parochial these days.

To taxpayers, parochial schools offer yet another advantage: they're much cheaper. For elementary schools in the Washington area, tuition seldom exceeds $700; for high schools, the figure is about $2,000. Even the latter is hardly a daunting amount, since a high school student can pay for his entire tuition if he works just 12 hours a week at a minimum-wage job. Compared to public education, a Catholic one looks very cheap indeed. In the Archdiocese of Washington, total costs (including all subsidies from the church) for the 1981-82 school year was $717 per elementary school child. Washington's public school system costs around $3,000 per year for an elementary school child. As for high school students, parochial school costs are roughly half those of the public high school.

PEDAGOGICAL PILGRIMS

So Catholic schools provide as good—if not better—education, even though nationally they pay teachers less, have more students per class, and offer a much more limited curriculum. A miracle? No more than the copying machine that Brother Dominic uses in those Xerox commercials.

The secret of the Catholic school's success lies in its approach to the major players in the educational hierarchy—the administrators, the teachers, the students, and the parents. Start at the top of the organizational pyramid with the administrators. The parochial schools have a very basic rule about administrators: avoid them whenever possible. Elementary schools, for example, operate through a simple administrative structure: teachers report directly to the principal, and the principal reports to the pastor of the parish. Catholic high schools, which generally are run by a religious order separate from the archdiocese, have a principal or dean, sometimes an assistant, and a board of directors. That's it. No curriculum supervisors, no union arbitrators, no strings of assistant supervisors and their assistants.

The Archdiocese of Washington has a grand total of ten administrators for approximately 28,278 pupils, a figure that does not include the 11,500 students in high schools run by separate Catholic religious groups. That's a ratio of approximately one administrator to every 2,828 students. Washington's public schools have 421 administrative and supervisory personnel (not including principals or in-school administrators) for 91,509 students, a ratio of one administrator to every 217 students.

The next important link in the organizational chain is the principal. Unlike principals in public schools, those in parochial elementary schools will often substitute for ill or absent teachers, thereby helping to reduce costs. Then there are the parochial school teachers. During the 1960s parochial schools drew on members of Catholic religious orders such as the Dominicans and Franciscans for 75 percent of their teachers. Today, 75 percent are lay teachers and many of them aren't even Catholic.

Despite pay scales that are, nationally, about $5,000 less than those for public school teachers, parochial schools seem to have little difficulty attracting applicants. Most of the principals I spoke with, for example, say they almost never have to advertise in the newspaper when an opening occurs because the 40 to 50 applicants they get are more than they really have time to screen. And with all these applicants, who do Catholic schools often hire? Teachers who the public schools wouldn't even consider because they don't have the requisite degree in education.

The parochial school's indifference to this credential is one of its distinguishing characteristics. Monsignor Francis Barrett, executive director of the National Catholic Education Association, observes that most principals would rather have a teacher who knows his subject. Barrett observes, "Certificates are a farce. [There is] a distinct difference between qualified and certified." If anything, applicants with an education degree might be well advised to omit that fact when they're applying for a parochial school job. "I'll be frank with you," said one administrator, who didn't want to be named. "I look askance at people who have their degree in education. Anyone willing to sit six months learn-

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ing about the proper use of audiovisual equipment ought to have his head examined."

Another difference between the school systems lies in how teachers are actually hired. In the Catholic system, principals are directly responsible for selecting new teachers. That's usually not the case in the public schools, where a principal must prepare a budget justification that in turn is sent to the office of central administration where it's analyzed, scrutinized, evaluated, rewritten, and subjected to all the other indignities to which such bureaucratic forms are usually heir. (All those administrators, remember, have to have something to do.) Though the principal can make a recommendation, the central office makes the final hiring decision, often picking the least experienced—and hence cheapest—candidate. This not only undercuts the authority of the principal, but reduces whatever loyalty the newly hired teacher might feel.

The contrast is even greater when it comes to firing teachers. In the typical Catholic elementary school, the principal tells the pastor that he or she is going to fire someone. The pastor nods his head and the principal fires the teacher. Theoretically, this can be accomplished in about ten minutes. In the high school, only the principal has responsiblity for these decisions. Of course, there will be warnings to the teacher and discussions up to this point, but when it's time to make the move, it can be made immediately.

Compare this to public schools, where an administrator must document his case against an incompetent teacher with the same attention to legal detail and procedural niceties that would torment all but the most obsessive of probate lawyers. After compiling the evidence, the principal must then consult with the attorney for the school board, who will review the file to make sure documentation is sufficient to stand up to arbitration hearings and possible court challenges. Then the superintendant must review the previous decisions in similar cases and factor in general political considerations to determine whether firing the teacher is worth all the effort. It's quite common that long before this stage, administrators will decide the teacher really isn't *that* bad, since the whole process can easily take more than a year.

Working conditions for parochial teachers also differ in some important ways. In Washington's public schools, teachers get tenure after just three years. In parochial high schools, tenure is the exception; far more common are year-to-year contracts that must be annually renewed.

Along with less job security, the pay is lower. However, to help compensate for that, parochial schools usually give teachers an opportunity to supplement their incomes through a variety of ways: teaching extra classes, coaching, or serving as a part-time counselor. At De Matha, for example, 80 percent of the teachers carry an extra class. Aside from communicating to the students that initiative is rewarded, the practice makes the parochial school teacher available (far more often) to interact informally with the student.

One might expect that parochial school teachers grumble a lot about these terms of employment. Actually, I found just the opposite to be true. When I asked teachers why they were willing to settle for a lower wage, they continually cited the feeling that in Catholic schools you could really teach. You weren't constantly attending meetings, filling out forms, or meting out discipline, nor was the public address system constantly intruding with announcements about assemblies, vaccination shots, or upcoming sports events. Teachers also feel that the administration will back them up on important matters; if a teacher disciplines a student for misbehavior in the classroom, parochial administrators almost always back the decision. There are no appeals upward through three layers of bureaucracy to give the student and his parents a chance to overrule the teacher's decision by reconstructing the incident in the most favorable light.

Especially in the parochial elementary schools, there is also the assumption, or at least acceptance of the fact, that most of their lay teachers will not make education a lifelong career. Some Catholic school principals are a little sheepish about admitting that teachers leave for other jobs or to raise their own children, but in many respects this approach is one of the parochial schools' strengths. The frequent turnover creates an influx of new blood, fresh ideas, and a willingness to take risks that someone concerned about a lifetime career would be reluctant to take. This approach is particularly well suited for elementary school teachers, where the job doesn't require scholarly expertise so much as it does tremendous reservoirs of energy to deal with small children. This is in great contrast to the public schools, where teaching is treated as a lifetime occupation—and teachers often seem more preoccupied with "burn-out" and complaining about low pay than with their lesson plans.

The third group in the hierarchy is the most important of all: the students. Whether you con-

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sult sociological studies or visit parochial classrooms, one thing is particularly striking: parochial school students are as diverse as those in the public schools. (In fact, in Washington, the parochial schools are more racially integrated than public ones.) But there the similarity ends; in parochial schools, the students receive a much different kind of education.

For example, few Catholic schools have open campuses, which means the students must be able to account for their whereabouts at all times. Students "mouthing off" to a teacher are assured of a trip to the principal and those who repeat such behavior visit the principal accompanied by their parents. Though the threat of expulsion is employed far more often than the reality, students know that it's a possibility not to be trifled with. At De Matha, the first unexcused absence earns three Saturday detentions. Two unexcused absences and you're out the door.

Washington's public schools seem to bend over backwards to make sure that students who disrupt the learning environment for everyone else can continue to do so. There is no limit to the number of absences a student can accumulate before credit is lost, though Janis Cromer, director of communications for the superintendent, explains that "after about ten absences in an advisory [nine weeks] a teacher's red alert bells would go off." One would hope so. The public schools here also never officially expel anyone. The maximum sanction is a "major suspension" of up to ten days, and last year there were 1,130 such suspensions. But as to how many of these sanctions were for repeat offenses, school district officials say they don't know; those statistics aren't kept. The system's capacity for not having potentially embarrassing statistics is also revealed in the District's official drop-out rate of 1.5 percent. If that sounds absurdly low, it's because Washington counts only students who register at the beginning of a school year and then don't finish. As for kids who drop out after summer vacation, that statistic isn't kept.

In a Catholic high school, it's difficult to graduate with less than four years' worth of English, three of math, and two of science. By junior year at De Matha, some students have completed the basics of calculus. One reason for the stress on academic subjects is practical; parochial schools don't have the money to offer a smorgasbord of electives like Sports Journalism and Modern Bachelor Living. But a more important reason is that parochial schools subscribe to the notion that a general education best prepares students for life. John Moylen, De Matha's principal, comments that "few people at 15 or 17 know absolutely what they want to do for the rest of their lives." Catholic schools believe in an academic foundation; the specific skills can come later.

Finally, there's the role of the parents. Particularly at the elementary level, parents are encouraged to coach, tutor, and supervise field trips; they are also expected to participate in school activities and have frequent contact with teachers and administrators. The prevailing ethic is that parents will work with teachers and respond when called about a disciplinary infraction involving their son or daughter. Since most high schools are run by independent religious orders who don't receive a subsidy from the archdiocese, parents are also pressed into service as fund raisers, raising money through raffles, picnics, and that most traditional of all Catholic school activities, the chocolate bar drive. Such volunteer activity does more than reduce costs; it also encourages parents to take a far more active role in their children's education.

So what does all this add up to? Catholic schools certainly are different, and some of their traits obviously can't be duplicated in the public schools. Still, there's no good reason that public schools can't reduce the number of administrators. There's no reason they can't begin to hire teachers according to how well they know their subjects rather than whether they possess the right paper credentials. Public schools don't need to grant tenure to nearly everyone, or reward teachers according to seniority rather than merit. Likewise, public schools could easily emulate parochial schools by giving teachers more autonomy and greater authority to discipline students. Just two or three disruptive students can ruin the educational atmosphere for everyone in the class; even if it means a slightly higher drop-out rate, the interests of those children who desire to learn should come first, not second.

Parochial schools, in Washington, D.C., and elsewhere, hold a great number of lessons worth regarding in our efforts to revive our flagging system of public education. Learning those lessons won't require another blue-ribbon commission, more federal funds, or any more sociological studies. All it requires is that public school officials and politicians start paying some attention to the schools that are already working—and realize that who happens to run them is the last thing we should be worrying about. ■

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TIDBITS AND OUTRAGES

Don't Spend It All In One Place

NWS Research of Falls Church, Virginia, offers a book called *Nuclear War Survival Skills*. The book costs $10.95 and offers a money-back guarantee.

Coming Soon: CLOUT, the Magazine for Professionals Over 450 Pounds

VOLUME 2 NO. 2 SEPT. 1983

Stature

INFORMATION LETTER FOR WOMEN WORKERS 3' 4" AND UNDER

WE'RE (HIC) GETTING INTO TRAINING

In September 1982, a freight train in Livingston, Louisiana, derailed. Two tank cars carrying chemicals exploded, forcing 3,000 people within five miles of the accident site to evacuate for up to two weeks. In its investigation of the accident, the National Transportation Safety Board cited as one cause "the impairment of the engineers' faculties by alcohol." According to a 1978 Department of Transportation study, 19 percent of all railroad workers surveyed—and 23 percent of the operating workers—were "problem drinkers." All this appeared in a recent article in the *Wall Street Journal*, which also found that when the Southern Pacific Railroad tried in 1980 to make spot checks of its workers with an intoxilyzer, the Brotherhood of Locomotive Engineers called a strike, charging that the intoxilyzer infringed upon their members' individual freedom.

The Rising Tied of Mediocrity

THE SUNDAY OREGONIAN, AUGUST 28, 1983

A12

Back-to-schooll emphasis grows

By The Associated Press

Scott D. Thomson was a young high ...ath and English teacher in Sun- ... 1957 when the Soviet ...t man-made

first issues in the 1984 presidential c... paign.

This turnabout did not happ... night.

Like a patient whose ... proved even before the ...

UH, THANKS, BUT I HAD A BIG BREAKFAST

On Tuesday, October 4, the Rimrock Harvestore of Billings, Montana, held a Manure Management Seminar at the Holiday Inn in Bozeman. Refreshments were served at the event.

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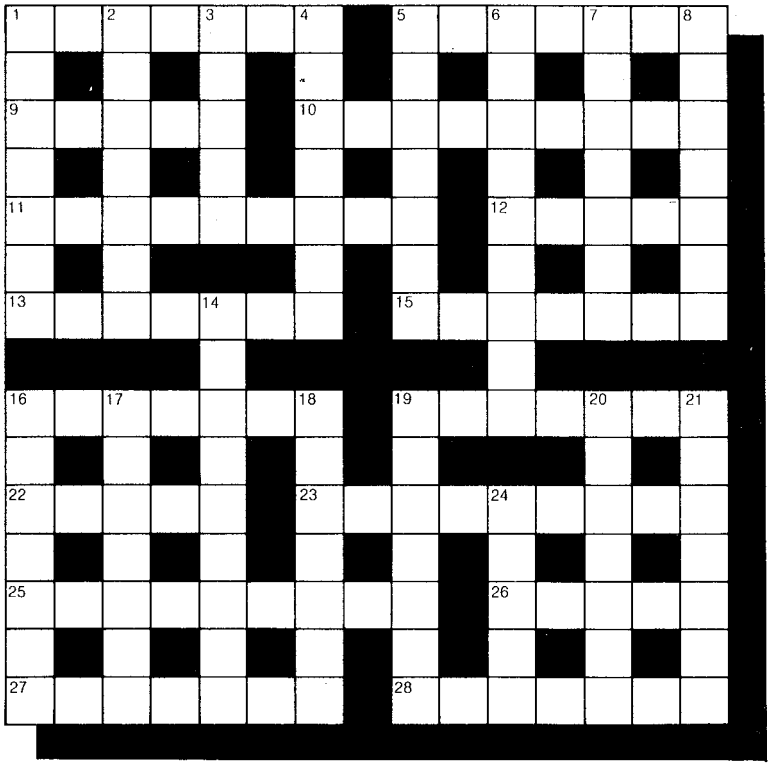
POLITICAL PUZZLE



by John Barclay

The numbers indicate the number of letters and words, e.g., (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.

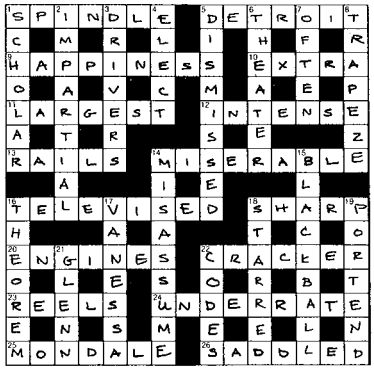
ACROSS

1. Candidate bothered one about mine. (7)
5. Affiliations that is in segments. (7)
9. Around the United Nations Kennedy adjusted the instrument. (5)
10. Allegedly purely reformed around Kennedy. (9)
11. Standard beermaid in Belli's office? (9)
12. Sole survivor of Enola Gay. (5)
13. Took out rent. Indeed! (7)
15. Once again checks street's construction. (7)
16. Bastard form of capes. (7)
19. Flea flies around the German government. (7)
22. Permit involved in illegal lowering. (5)
23. Appraises suave tale recounted. (9)
25. Copy made at hot stop. (9)
26. Not to be forgotten in Texas. (5)
27. For whom we will all vote in 1984. (7)
28. Fancy ego cell attended by 27 Across. (7)

DOWN

1. Paper famous in Pennsylvania. (4,3)
2. Railmen distributed coal or sand, for example. (7)
3. Climbing boy performing near center point. (5)
4. Made angry and planted Garden of Eden initially. (7)
5. University around tree well received? Rather the opposite! (7)
6. Jimmy met Kennedy going up and drew back. (9)
7. Chic portals don't lead outside. (7)
8. Modesty about a shortfall? (7)
14. Ejected forcefully to hurt now. (6,3)
16. Crush elm part clumsily. (7)
17. No label deciphered for start of walk. (4,3)
18. Manage respect for a senator. (7)
19. Agitated? Put it up in foreign currency. (7)
20. Jimmy went up to the East for review. (7)
21. Attractive girl from Ole Miss. (7)
24. Political family in proud alligator shirt. (5)

Answers to last month's puzzle:



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POLITICAL BOOKNOTES

Deep Blue Funk and Other Stories: Portrait of Teenage Parents. Daniel B. Frank. *University of Chicago Press, $3.95.* The author, a graduate student at the University of Chicago, spent two years tutoring and talking to lower-middle-class black teenagers about having babies out of wedlock. The result is a highly revealing and jargon-free look into black culture.

These women—girls, really—are not stupid; they know what birth control is and where to get it. Part of the problem is an unwillingness to interrupt spontaneous sex, but more often these young women *want* the babies. A baby often represents the only means of control, excitement, and status in an otherwise bleak life. Many considered abortions and rejected them, often on principle, and they express surprisingly little regret over what they have done.

—Jonathan Alter

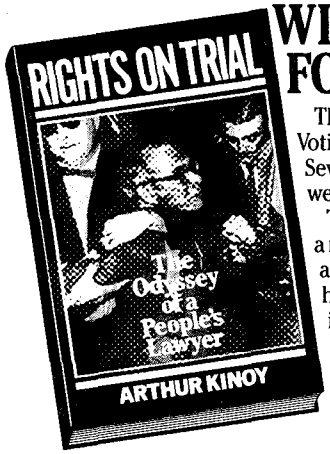
Diary of a Dark Horse: The 1980 Anderson Presidential Campaign. Mark Bisnow. *Southern Illinois University Press, $14.95.* The probable prototype of the disheveled Anderson aide in Doonesbury, Bisnow began working as a congressional aide to John Anderson at a time when he was "one of the few people in the Western Hemisphere immersed enough in political trivia to know" that Anderson was mulling a presidential candidacy. We watch Bisnow upping candidate Anderson's much vaunted gasoline tax proposal 25 cents to 50 while the congressman is off swimming; wife Keke scissoring Anwar Sadat out of an old family picture and then using it in the official campaign brochure; and Anderson's first campaign manager, "hired to make uninhibited comments," advising the candidate to forget running altogether. We also read how hopes for the Republican nomination were partly thwarted by the early failure to collect the necessary signatures for the Pennsylvania primary—though a "certifiable mental patient at an insane asylum" had made it.

It would be a shame, however, if this book were dismissed as merely anecdotal. Bisnow's real purpose is to condemn the high-priced political consultant David Garth (who, it should be noted, relegated Bisnow to back-room policy research), and the bureaucracy he brought to Anderson's candidacy as an independent. Suddenly, a bevy of unfamiliar aides suffocated Anderson. Where office workers were once frenetic, "now if someone felt overburdened, rather than working longer and harder and asking others to pitch in, enough money was available so that it was tempting just to hire a new person to help." At a time when lawyers across the country were volunteering their services to help with ballot access, Garth hired one of Washington's most prestigious—and expensive—law firms. Skeletal advance crews became "squads," crisscrossing the country in "a grand style" befitting a Wall Street law firm. (As one of these advance men, I can attest to Bisnow's accuracy.) Bisnow argues that the delays and decisions based on "the lowest common denominator of opinion" made the Doonesbury days actually seem more efficient.

—Michael Hiestand

The Making of the New Deal: The Insiders Speak. Katie Louchheim, ed. *Harvard University Press, $20.* Katie Louchheim, a New Deal veteran, compiled in 24 chapters the reminiscences of over three dozen New Deal insiders. They reminisce about the days when they were greenhorns flocking to government service, vowing to jolt the country out of the Great Depression. Even

FOR THIRTY-FIVE YEARS, THIS MAN HAS USED THE COURTS TO WIN THE STRUGGLE FOR HUMAN RIGHTS.



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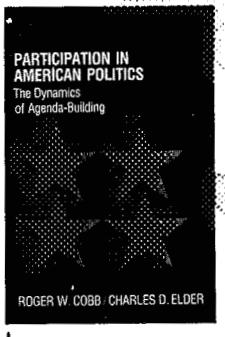
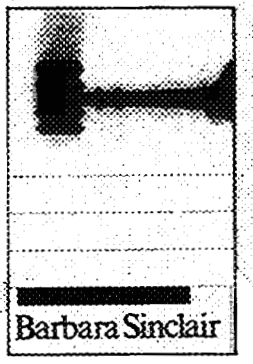
Coalition & Agenda Building





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Roger W. Cobb and Charles D. Elder

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